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Canada, Coasting Trade, Royal
Commission on

#Earnings

ROYAL COMMISSION ON COASTING TRADE

VOLUME 17

PART A

Report of Ottawa Sitzings
commencing January 4, 1956
(for rebuttal or supplementary
evidence)

pp. 5056 to 5188 pp.





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ROYAL COMMISSION ON COASTING TRADE

Report of hearing held at Ottawa,
Ontario, on Wednesday, January 4,
1956, commencing at 10.00 A.M.

PRESENT:

THE CHAIRMAN, The Honourable Mr. Justice
W. F. Spence.

Mr. W.N. Wickwire, Q.C.)

) Commissioners

Mr. M. Belanger, C.A.)

Mr. D.W. Mundell, Q.C.)

) Commission Counsel

Mr. Paul Gerin-Lajoie)

Mr. H. Kemp

- Economic Adviser
to the Commission

---Mr. G.G. McLeod

- Secretary

---Mr. P. Cimon

- Ass't Secretary

THE CHAIRMAN: Yes, Mr. Mundell?

MR. MUNDELL: Mr. Chairman, a notice was given
of this hearing to West Point Ferries, Ellerslie,
P.E.I.; Canadian Shipbuilding and Ship Repairing
Association; Dominion Marine Association; Canada
Steamship Lines Ltd.; Furness Withy and Co. Ltd.
No word has been received from West Point Ferries
of Ellerslie, Prince Edward Island and I presume



1 the Commission will proceed with the hearing, they
2 might come later in the day.

3
4 One change has been made in the list, Canada
5 Steamship Lines Limited has asked to go on tomorrow
6 and the Canadian Shipowners Association have agreed
7 to put in their evidence today. Therefore, today's
8 list will be West Point Ferries, Eilerslie, P.E.I.,
9 if they appear; Canadian Shipbuilding and Ship
10 Repairing Association; Dominion Marine Association;
11 Canadian Shipowners Association and Furness Withy
12 and Company Limited.

13 Before proceeding with the Canadian Ship-
14 building and Ship Repairing Association, I would
15 like to file a number of exhibits that have been
16 received. These will be numbers 207 to 214, I have
17 a list here and, with your permission, I will hand
18 it to the reporter and treat it as evidence read in or
19 I will read it if you so prefer.

20 THE CHAIRMAN: I think perhaps you had better
21 read it for the record and also inform those here
22 at the hearing of the exhibits.

23 MR. MUNDELL: Exhibit No. 207 is an extract
24 of a letter from Mr. F.B. Clarke re Dingwall Shipping
25 Company, Limited where certain questions which are
26 being there asked to answer are answered.

27
28 ---EXHIBIT NO. 207: Extract of a letter from B.F.
29 Clarke -- Re: Dingwall Shipping
30 Company, Ltd.



1
2 MR. MUNDELL: Exhibit No. 208 is a letter
3 from the Honourable Hugh John Fleming, Prime Minister
4 of New Brunswick stating the position of the above-
5 mentioned province in connection with the Com-
6 mission's hearings.

7
8 ---EXHIBIT NO. 208: Letter from the Honourable
9 Hugh John Fleming, Prime
10 Minister of New Brunswick
stating the position of the
above-mentioned province.

11 MR. MUNDELL: No. 209 is a letter from
12 J.A. Wright, solicitor for the Canadian Pacific
13 Railway Company with a list of errata to be
14 corrected in the transcript.

15
16 ---EXHIBIT NO. 209: Letter from J.A. Wright,
17 Solicitor for the Canadian
18 Pacific Railway Company with
a list of errata to be
corrected in the transcript.

19 MR. MUNDELL: 210 is a letter from Mr. Yves
20 Poisson, Secretary of the Quebec Board of Trade and
21 corrections to be made in the transcript of the
22 French testimony of Mr. Marc Turcotte in Quebec
23 City in September at 1955.

24
25 ---EXHIBIT NO. 210: Letter from Mr. Yves Poisson,
26 Secretary of the Quebec Board
of Trade and Corrections to be
27 made in the transcript of the
French testimony of Mr. Marc
28 Turcotte in Quebec City on
September the 27, 1955.



1
2 MR. MUNDELL: No. 211 is a letter from Mr.
3 Yves Poisson, Secretary of the Quebec Board of
4 Trade with corrections to be made in the transcript
5 of the French testimony of Mr. Yves Poisson in
6 Quebec City on September 27, 1955.

7
8 ---EXHIBIT NO. 211: Letter from Mr. Yves Poisson,
9 Secretary of the Quebec Board
10 of Trade and corrections to be
11 made in the transcript of the
12 French testimony of Mr. Yves
13 Poisson in Quebec City on
14 September 27, 1955.

15
16 MR. MUNDELL: No. 212 is a letter from Mr.
17 C.T. Mearns, Secretary of the Shipping Federation of
18 Canada and list of corrections to be made in the
19 transcript of the evidence given by Mr. J.P. Boyle,
20 President of the Shipping Federation of Canada in
21 Montreal in October, 1955.

22
23 ---EXHIBIT NO. 212: A letter from C.T. Mearns,
24 Secretary of the Shipping
25 Federation of Canada and list
26 of corrections to be made in
27 the transcript of the evidence
28 given by Mr. J.P. Boyle,
29 President of the Shipping
30 Federation of Canada in Montreal
on October 11, 1955.

MR. MUNDELL: No. 213 is a letter from H.E.
Gorick, Joint Secretary, General Council of British
Shipping giving answers to questions asked by the
Economic Adviser of the Commission.



1
2 ---EXHIBIT NO. 213: Letter from H.E. Gorick,
3 Joint Secretary, General Council
4 of British Shipping giving
5 answers to questions asked by
6 the Economic Adviser of the
7 Commission.

8
9 MR. MUNDELL: No. 214 is a letter from Mr.
10 S.G. Dixon on behalf of the Shipbuilding Conference
11 of United Kingdom giving answers to questions on
12 future size and type of lake vessels.
13

14 ---EXHIBIT NO. 214: Letter from Mr. S.G. Dixon on
15 behalf of the Shipbuilding Con-
16 ference of U.K. giving answers
17 to questions on future size and
18 type of lake vessels.

19 THE CHAIRMAN: Thank you, Mr. Mundell, the
20 Canadian Shipbuilding and Ship Repairing Association?
21

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ADDITIONAL SUBMISSIONS BY THE CANADIAN
SHIPBUILDING AND SHIP REPAIRING ASSOCI-
ATION.

---Professor Gilbert Jackson, appearing.

PROFESSOR JACKSON: Gentlemen, I have the
honour of appearing again for the Canadian Ship-
building and Ship Repairing Association and I
should like the privilege of putting in half a
dozen exhibits if I may be allowed to do so. I
shall put them in as well as I can in an orderly
manner, but I would like to plead in defence that



1
2 I was twice grounded yesterday and getting here
3 was an adventure so I might not be doing the job so
4 well as you may wish but I shall try.

5 The first exhibit I would like to submit on
6 our behalf is the brief presented by the Government
7 of Newfoundland to the Royal Commission on Canada's
8 Economic Prospects, this differs in purpose from the
9 brief presented by the same government to this
10 Commission. To this Commission the Government of
11 Newfoundland was maintaining a thesis, before the
12 Royal Commission on Canada's Economic Prospects
13 they were undertaking to do what I think may fairly
14 be described as a task of description and explanation
15 but because they were doing that they gave a very
16 much fuller background of the situation in Newfoundland
17 than could, in the nature of things, have been
18 placed at the beginning of the proceedings in this
19 Commission before this body. I have been unable
20 to get more than one copy, these copies are ex-
21 ceedingly rare and difficult to get and I would,
22 with your permission, leave that one with you.
23 It is misnamed on the cover by a body in which you
24 and I have some interest, it was bound by the
25 press of the University of Toronto and they mis-
26 named it the Royal Commission on Canada's Economic
27 Progress but the text inside is a true text. That
28 is the first of the exhibits I would like to give
29 you.
30



1
2 MR. MUNDELL: Exhibit No. 215 is the brief
3 presented by the Government of Newfoundland to
4 the Royal Commission on Canada's Economic Prospects.

5
6 ---EXHIBIT NO. 215: Brief presented by the
7 Government of Newfoundland
8 to the Royal Commission on
9 Canada's Economic Prospects.

10 PROF. JACKSON: Mr. Chairman, it may be
11 remembered that we put in an exhibit earlier,
12 Exhibit 166, comparing the rate of growth of popu-
13 lation and of personal income in Newfoundland with
14 the similar rates of growth in the other Canadian
15 Maritime provinces and the Dominion of Canada as a
16 whole. That was by way of background and I shall
17 want to use those figures in argument before you
18 next week. This is, of course, a very considerable
19 enlargement of the background represented by
20 Exhibit 166. I will not detain the Commission with
21 this document except to say I do not suppose a body
22 as busy as this is going to be able to study the
23 brief in complete detail. However, I would like,
24 if I may, to draw the attention of the Commission
25 in particular to Chapter I, the Newfoundland
26 Economy, Chapter II, Population and Prospects
27 and Chapter X, the conclusion, in which they draw
28 the threads of their exposition together. A
29 second exhibit, Mr. Chairman, with reference to
30 Newfoundland, we think that it is necessary to



1
2 bring together certain statistics of Newfoundland
3 shipping in particular and we have called this
4 exhibit supplementary information regarding
5 waterborne trade of Newfoundland. The exhibit
6 consists of not very many figures, nevertheless, it
7 reflects a complex situation of which the Commission
8 knows a great deal. I do not think I shall make
9 further reference to this exhibit now unless the
10 Commission wishes me to do so.

11 MR. MUNDELL: Exhibit 216 is supplementary
12 information regarding the waterborne trade of
13 Newfoundland.
14

15 ---EXHIBIT NO. 216: Supplementary information re-
16 garding the waterborne trade
17 of Newfoundland.

18 PROF. JACKSON: My third exhibit is on a
19 totally different subject. There seems to have
20 been an impression in the minds of certain people
21 who have appeared before this Commission and I recall
22 Dr. Mayer who testified in Winnipeg and Dr. Hope
23 who testified in Toronto that the coasting trade
24 of the United States reserved since 1817, as the
25 Commission will remember, has been languishing
26 for a considerable time because the people and
27 businesses of the United States have found it
28 convenient to use other means of transportation
29 and in some cases to dispense with this con-
30 venience of waterborne coasting trade.

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2 I shall read, if I may, a few lines in con-
3 nection with the examination of Dr. Mayer and my
4 reference to it is to pages 1851 and 1852 of the
5 transcript:

6 "I suggest to you that the decline
7 "in the coasting trade of the United States
8 "outside of the Great Lakes is almost en-
9 "tirely due to two causes, first, the de-
10 "velopment of trucks and good rails and,
11 "secondly, their high cost of handling charges
12 "in the American ports, is that not the real
13 "reason why the east and west coast fleets
14 "disappeared?

15 "A. Those are two of the reasons, there
16 "are also additional reasons."

17 I will not pursue the subject any further
18 but merely identify the spot. And now, I was un-
19 familiar with this situation and I had not even
20 gone into it in detail at the time when Dr. Hope
21 made his appearance in Toronto but I was curious to
22 test this, because, with great respect, sir, a
23 certain amount of mythology has found its way into
24 the testimony delivered here. I went to two
25 sources, the historical statistics of the United
26 States from 1789 to 1945 and statistical abstract
27 of the United States, an annual volume of which
28 the 1955 edition is available and I took the
29
30



1
2 domestic waterborne commerce of the United States
3 from 1924 to 1953, a period of 30 years and I put
4 these figures down as an exhibit of only one page.
5 This is probably one of the simplest exhibits that
6 will come before you. I found that in this period,
7 roughly measured, the volume of the domestic water-
8 borne commerce of the United States increased by
9 slightly more than 60 per cent despite the fact that
10 the coasting trade was reserved and the series is
11 perhaps probably put alongside of the brief of the
12 Shipbuilders Association, table 12 which I do not
13 think I have in my hand but perhaps I might be supplied
14 with a copy of that brief. Table 12 of the brief
15 of the Shipbuilders Association contains figures which
16 are not directly comparable with the United States
17 figures in this exhibit, the United States figures
18 are a measurement of the number of thousands of tons,
19 I think, in the domestic waterborne commerce of the
20 United States, the only Canadian measure that we
21 have is the net tons, the thousands of net tons
22 registered in the coasting service of Canada. If
23 we take these two series of figures each of which
24 reflects in its own way the change in the volume
25 of coasting trade in the two countries, we find
26 that whereas the unreserved coasting trade of
27 Canada grew by something rather less than 35 per
28 cent in this period, the reserved coasting trade
29
30



1
2 of the United States grew by more than 60 per cent.
3 With a view to terminating this myth, I should like
4 to present these figures as an exhibit.

5 MR. MUNDELL: Exhibit No. 217, a document
6 entitled, "Domestic Waterborne Commerce of the
7 United States".
8

9 ---EXHIBIT NO. 217: Document entitled Domestic
10 Waterborne Commerce of the
11 United States.

12 PROF. JACKSON: Now, we bring the Commission
13 up to date with one other set of facts; I have another
14 exhibit by this association listing the new con-
15 struction on order in the Canadian shipbuilding yards
16 as of December 1, 1955 listing, first of all, vessels
17 which are on order for the Canadian government,
18 mostly navy vessels in respect of -- if I may correct
19 the record, first, the commercial orders in the
20 Canadian shipyards as of December 1st, 1955 and sub-
21 sequently the government orders including naval
22 orders, the Commission will see to begin with that
23 the total of commercial orders in the Canadian
24 yards has now shrunk to very small dimensions.
25 On the Pacific coast, in the three yards, the
26 Yarrows Limited, Victoria Machinery Depot and
27 Burrard Drydock Company, one hog fuel barge of
28 502 gross tons; four hog fuel barges of 582 gross
29 tons each; a combination dry and liquid cargo barge
30



1
2 of 1,005 gross tons; two steel paper scows of 1,000
3 gross tons each.

4 On the Great Lakes, one ocean-going motor
5 cargo vessel in Collingwood Shipyards Limited of
6 rather more than 2,000 tons dead weight, long tons
7 dead weight and two diesel bulk freight canallers
8 of a little less than 4,000 tons dead weight each.
9 At the Port Weller Dry Dock one bulk canal vessel
10 of 2,000 gross tons and a dump scow of 300 cubic
11 yards capacity and a hydrographic landing barge
12 in Kingston Shipyards for the hydrographic survey.
13 In the St. Lawrence one tug at Davie Shipbuilding
14 Limited of 225 gross tons and one canaller of 3,875
15 tons dead weight. That is the whole of the com-
16 mercial orders which are serving now to keep busy
17 the shipbuilding yards of Canada.

18 Then, the naval orders for the naval pro-
19 gram now daily getting nearer to completion and
20 here, of course, most of the details are marked
21 "secret" so we cannot give the same description
22 but by means of these three pages the Commission
23 is in a position to see what the present state of
24 shipbuilding is in Canada.

25 MR. MUNDELL: Exhibit No. 218, a document
26 entitled, "Canadian Shipbuilding and Ship Repairing
27 Association, Shipbuilding in Canada -- New Con-
28 struction on Order as of December 1st, 1955."
29
30



1
2
3 ---EXHIBIT NO. 218: Document headed Canadian
4 Shipbuilding and Ship Repairing
5 Association -- Shipbuilding in
6 Canada -- New Construction on
7 order as of December 1st, 1955.

8
9 PROF. JACKSON: Our next exhibit is a piece of
10 correspondence, a short letter from Mr. Bailey of the
11 Atlantic Shipbuilding Company Limited of Newport
12 in South Wales. We think it well to put this on
13 the record because much has been said at various
14 hearings before the Commission of the speed with which
15 Canadian shipbuilding yards can produce ships and
16 it has been supposed by some folk in these discussions
17 that our capacity to build ships rapidly may be
18 ranked as a considerable offset against the high cost
19 of building in Canada, a handicap as to which the
20 Commission is now well informed. We wanted evidence,
21 if evidence could be found, which might correct
22 that view that our capacity to build fast is a
23 shield and buffer of the Canadian shipbuilding
24 industry and I think this letter from the Atlantic
25 Shipbuilding Company Limited which is with reference
26 to new ship delivery dates will assist:

27 "Dear Sirs,

28 "New Ship Delivery Dates

29 "Our modern building methods allow
30 "us to offer the following delivery dates:-

"Cargo and Passenger Ships

"6,000 tons dead-weight 15 months



1
2 "Fish Factory Vessels 15 months

3 "Modern Diesel Coasting
4 "Vessels 12 months

5 "All types of Diesel Tugs
6 "and Trawlers 10 months

7 "We would welcome your Representatives
8 "to our Yard, where we could discuss details
9 "of design to suit your personal requirements.

10 "Enquiries would receive our immediate
11 "attention."

12 That is the evidence we have been able to
13 procure from this large and completely modern yard
14 in Wales as to the speed with which ships can be
15 built in British yards today.

16 MR. MUNDELL: Exhibit No. 219, an undated
17 letter stamped as being received on December 12, 1955
18 by Canada Steamship Lines on the letterhead of
19 Atlantic Shipbuilding Co. Ltd., with reference to
20 new ship delivery dates.

21 ---EXHIBIT NO. 219: Undated letter from Atlantic
22 Shipbuilding Co. Ltd. received
23 by Canada Steamship Lines on
December 12, 1955.

24 PROF. JACKSON: The next, Mr. Chairman, I
25 should like to correct a point of fact in the brief
26 of the Province of Manitoba which has gone uncorrected
27 for a considerable time. Perhaps the Commissioners
28 have already corrected it privately. My reference
29 is to B-77 a brief of the Province of Manitoba to
30



1 page 9, section 19 and subparagraph (f). I shall
2 read the paragraph, if I may, which I think takes
3 up a matter of eight short lines and the brief of
4 the Manitoba government states:

5 "Insofar as the Maritime Commission
6 "permits the use of escrow funds held under
7 "the tonnage replacement plan administered
8 "by the Commission for construction in
9 "Great Lakes shipyards, and insofar as these
10 "funds are available at a discount, the
11 "effective cost of building a new ship is
12 "reduced."

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28 (Page 5076 follows)
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Take B 1 PROF. JACKSON: The sole comment which I
JC
Jan.4/56 2 wish to make on that, sir, is to refer you to
3 a document anti-dating by quite a considerable time
4 the brief of the Government of Manitoba. It is
5 issued by the Department of Transportation at Ottawa
6 on the 12th November, 1953. It was described at
7 the time as a press release No. 462. If I may be
8 permitted to read the first two paragraphs before
9 handing this over. This is the sole copy of the
10 Government document.

11 The press announcement said:

12 "Announcement is made today by the
13 "Honourable Lionel Chevrier, Minister of
14 "Transport, on the problem of assistance to
15 "shipping. The Government has had under
16 "consideration representations made by the
17 "Canadian Shipowners' Association as to
18 "future policy for their industry.

19 "It has been decided that owners of
20 "deep-sea vessels on Canadian registry be
21 "allowed to sell their vessels on condition
22 "that the proceeds of sale are placed in
23 "escrow for the acquisition of modern ves-
24 "sels to be placed on Canadian registry.
25 "The use of escrow funds will be modified
26 "by removing the provision that vessels
27 "acquired with them must be built in
28 "Canadian yards and by adding a limitation
29 "that such escrow funds will be used in
30



1 "the future only for the acquisition of
2 "dry cargo vessels and not of tankers. The
3 "Canadian Maritime Commission will be res-
4 "ponsible for ensuring that vessels acquired
5 "through the use of escrow funds, whether
6 "through new construction or by purchase,
7 "be of a modern and efficient character."
8 I would like to hand that over, if I may, sir.

9 MR. MUNDELL: That is Exhibit No. 220, a
10 document entitled "Department of Transport, Ottawa.
11 Press Release No. 462. For immediate release.
12 November 12, 1953".

13 PROF. JACKSON: I find I do have some spare
14 copies of this press release, sir.

15 Going back for one sentence to the letter
16 from the Welsh Shipbuilding Company, one thing I
17 would have liked at the time to bring out is that
18 that letter proves that the shipbuilding yards have
19 the capacity to build these vessels at the present
20 time and is actively looking for business. The
21 letter which we have handed over was obviously a
22 circular letter which was not written only to the
23 recipient.

24 Now, sir, the last of the documents which I
25 should like to hand over to the Commission this
26 morning is a document which has fascinated me ---

27 COMMISSIONER BELANGER: Excuse me a moment,
28 please. Before you go further, I did not quite
29 get your point on the escrow funds. Could you
30



1 repeat the point which you make? I did not quite
2 get it.

3 PROF. JACKSON: I am sorry, sir. I read
4 without explanation, but the point of the passage
5 which I have read out is, prior to the 12th November
6 of 1953 escrow funds could be used for building
7 purposes only in Canada. In other words, they
8 were of potential use to the Canadian shipbuilder
9 and reserved for business with him. Here you have
10 a change in the second paragraph which I read, the
11 use of escrow funds will be modified by removing
12 the provision that vessels acquired with them must
13 be built in Canadian yards. Does that answer your
14 question?

15 COMMISSIONER BELANGER: Yes, thank you.

16 COMMISSIONER WICKWIRE: Well, I am still not
17 too clear, Mr. Jackson, about it because from the
18 passage you read from the Manitoba brief they allege
19 that the effective cost of building a ship was
20 reduced by reason of escrow funds.

21 PROF. JACKSON: May I turn back to the para-
22 graph which I read?

23 COMMISSIONER WICKWIRE: Perhaps it was
24 the effective cost in Canada. I did not hear
25 that, is that is so.

26 PROF. JACKSON: What the Canadian Mari-
27 time Commission said at the end of the paragraph
28 which I read was that in so far as these funds be-
29 came available to Canadian yards the effective
30



1 cost of building new shipping is reduced.

2 COMMISSIONER WICKWIRE: That means the
3 effective cost of building in Canada?

4 PROF. JACKSON: Of building in Canada. What
5 appears not to have been known by the Government
6 of Manitoba was that the previous possible use of
7 escrow funds had been widened, thus leaving the
8 Canadian yards under all the handicaps which
9 applied with building costs and the competition of
10 all yards brought in in which these escrow monies
11 could be spent.

12 COMMISSIONER BELANGER: Was that the point
13 you were making?

14 PROF. JACKSON: That is the point I was in-
15 tending to make without explanation while I read
16 the passages into the record.

17
18 ---EXHIBIT NO. 220: Document entitled "Depart-
19 ment of Transport, Ottawa.
20 Press Release No. 462. For
immediate release. Novem-
ber 12, 1953.

21 THE CHAIRMAN: Have escrow funds been used
22 for building outside of Canada?

23 PROF. JACKSON: That, sir, is a question
24 of fact which I cannot answer. May I ask if one
25 of the members of the Association, now present,
26 may deal with that?

27 MR. BARRETT: Mr. Chairman, may I make a
28 submission. I understand from information ---

29 MR. MUNDELL: This is Mr. Barrett of
30



1 Canadian Vickers.

2 MR. BARRETT: Also on behalf of the Associa-
3 tion that in Germany Monship, which is the name of
4 the company, Monship is building a three or four
5 thousand-ton ship, we understand, with the use of
6 escrow funds which were obtained after this state-
7 ment was made.

8 PROF. JACKSON: I intend now to refer to a
9 document, sir, which has fascinated me for something
10 like half a century. It may not have fascinated
11 you for that length of time, but it must have been
12 known to you for a very long time too.

13 That book is Jane's Fighting Ships, 1955 and
14 1956. I have brought it down for a very serious
15 purpose this morning, not really because it is a
16 fascinating bedside book.

17 The Commission will recall that when we first
18 appeared before it we said in our view the central
19 consideration, although not the sole consideration,
20 the central consideration of which the Commission
21 and the Government of Canada should take notice
22 is the consideration of defence, that we live in
23 a world as perilous as it was in 1944 though not
24 much shooting is going on and that is going on in
25 not so many places in the world as it was.

26 We face appalling danger to those who use
27 the sea on the Atlantic and on the Pacific side
28 of this country.

29 Here is the picture brought up-to-date as
30



1 fully as it is possible to bring it up-to-date by
2 the highest authority in the world. This document,
3 I think, should serve three purposes. First of
4 all, every important shipyard certainly in the old
5 world and most of the great firms engaged in engineer-
6 ing in warships in particular is represented here
7 in spaces which that firm has bought and you have
8 here, I think, as convincing a demonstration as
9 can be found within the covers of one book, on one
10 point on which perhaps the Commission has assured
11 itself sufficiently, particularly by visiting
12 practically the whole of the shipping yards in Canada,
13 and that is that building ships is one of the ac-
14 tivities which brings into focus all of the new
15 technologies of production, physical, chemical,
16 metallurgical and engineering; that all of the
17 country's industries are better, if that country
18 has an active and efficient shipbuilding industry
19 producing the most modern ships which can be pro-
20 duced at a given time.

21 Here is a visual demonstration of some of the
22 techniques which are involved in that statement.

23 Secondly, you have here a picture of the
24 Royal Canadian Navy, not all of them Canadian-
25 built but becoming increasingly built in Canadian
26 yards. You have as fully a description of every
27 Canadian warship as security regulations permit.

28 Thirdly, later in the book you have a very
29 long section headed "Russia", and in this section
30



1 covering many pages, you have listed what is known
2 of many hundreds of warships; the great majority
3 right up-to-date; the largest single body of
4 them is something like 400 submarines; most of them
5 equipped with snorkel apparatus which enables them
6 to remain submerged almost indefinitely.

7 These are the dangers which we have had in
8 our minds when we have been studying this problem.
9 I venture to suggest these dangers will be very
10 much in the minds of the members of the Commission
11 when they come to decide on their recommendations
12 and to direct a report.

13 Thank you, sir.

14 MR. MUNDELL: I do not know, Mr. Chairman,
15 whether you want to mark Jane's Fighting Ships
16 as an exhibit or make it part of the record, or should
17 it only be noted it had been tendered?

18 THE CHAIRMAN: I do not think it need be,
19 from the point of view of printing and transcribing
20 the evidence, but I think it should be simply added
21 to the material and not made an exhibit.

22 MR. MUNDELL: I do not think, Mr. Chairman,
23 I have any questions unless Mr. Gerin-Lajoie has
24 any questions on the exhibits this morning.

25 THE CHAIRMAN: Are there any others who
26 wish to direct questions to Mr. Jackson?

27
28 (Page 5095 follows)
29
30



1 MR. MUNDELL: There are two questions I
2 possibly could ask, and one is that I am not sure
3 of the origin of this letter; is it a circular
4 letter which came out of the blue? I am referring
5 to Exhibit No. 219.

6 PROFESSOR JACKSON: All that I know about
7 the letter is what is said on the letterhead,
8 and it is obviously stecilled or otherwise
9 reproduced so that a great many copies of it
10 must have been made, and presumably made in order
11 to be put in circulation. I don't know whether
12 any representative of Canada Steamship Lines who
13 is in the room can tell us anything of the
14 circumstances in which the letter was delivered.
15 If I may speak to it for a moment, it is a letter
16 which is asking for business for a firm whose
17 Managing Director, Sir Ralph A. Cochrane, was
18 in this country looking for business not very long
19 ago. It contains on its Board a gentleman who
20 rejoices in the name of Yusef A. Alghanim of
21 Kuwaiti in the Persian Gulf, which members of
22 the Commission will recall is one of the greatest
23 single suppliers of oil in the world. It has
24 what might be called a tie-up with the big oil
25 companies operating in the Persian Gulf, and
26 is in the tanker business as well as the type of
27 ships described here, and that it is capable of
28 building ships large and small, and that this
29 circular letter mentioning ships no larger than
30



1 up to 6,000 tons dead weight has presumably been
2 drafted with a view to sending it to people who
3 would be likely to look for ships of that size and
4 not likely be looking for large ships which the
5 company quite evidently builds as well. I think
6 in this room no more information can be added to
7 that, but I can have inquiries made and perhaps
8 next week put more information in the hands of the
9 Commission.
10

11 MR. MUNDELL: It may be useful to clear up
12 where the letter came from and how it was received.

13 PROF. JACKSON: It was received by Canada
14 Steamship Lines, and it was received by mail.

15 MR. MUNDELL: And unsolicited?

16 PROF. JACKSON: It was unsolicited and
17 received by Mr. Lowery who is known to the members
18 of the Commission.

19 MR. BARRETT: He may be here tomorrow.

20 PROF. JACKSON: Well, it can be put to him
21 tomorrow and he can probably enlighten the Commission
22 tomorrow.

23 MR. MUNDELL: I think Monsieur Gerin LaJoie
24 has some questions.

25 MR. GERIN LAJOIE: I should like to have a
26 clarification from Professor Jackson on Exhibit No.
27 217, "Domestic Waterborne Commerce of The United
28 States": I wonder if Professor Jackson could tell
29 the Commission what inference he thinks should be
30



1 drawn from this document which does not show the
2 trend of waterborne transportation in the United
3 States in relation to the total transportation in
4 the United States, nor in relation to the total
5 economic development of the United States.

6 PROF. JACKSON: I put these figures in simply
7 as a matter of factual record, rather than to
8 combine them with statistics of the gross national
9 product or the total volume of traffic in the United
10 States. I must confess because we have been
11 working under very great pressure, and I know we
12 have the sympathy of the Commission, and we are
13 trying by next week to have at our finger ends
14 the material which we must use in our final pleas
15 before the Commission, and therefore we come up
16 this morning, as I said when I was called on to
17 speak this morning, after moving around under a
18 great deal of pressure -- and incidentally being
19 grounded a couple of times yesterday before I could
20 get here. In answer to Monsieur Gerin Lajoie, here
21 is a series of figures which simply state as facts
22 that the total domestic waterborne commerce of the
23 United States was so and so many tons, in each of the
24 years from 1924 to 1953. That represents a
25 calculated average annual rate of increase of
26 almost exactly two per cent per annum compound.
27 The corresponding annual rate of increase from the
28 Canadian figures in our Table No. XII is 1.23 per
29 cent per annum compound -- about five-eighths as
30



1 fast only as the rate of increase in the domestic
2 waterborne trade of the United States. My purpose
3 in putting this in was primarily simply to dispel
4 any illusion, which appeared to have appeared in
5 this room from time to time, that the reserve
6 coastal trading of the United States was languishing
7 and that the United States was getting on very well
8 inspite of the fact of its dwindling coastal trade.

9 THE CHAIRMAN: Does it dispel it? Because
10 this includes coastal trade as it is defined in our
11 references to carriage between one port in the
12 United States and another; i.e. between San
13 Francisco and Hawaii, Alaska and Seattle. It is
14 rather difficult to have railroads compete on those
15 particular lines, and at the time when there has
16 been a great development in the territorial United
17 States one would expect such a development in
18 their coastal trade. Surely, the way to test that
19 would be to test the coastal trade on the mainland
20 coasts, including the Great Lakes, of the United
21 States, and would those figures bear out the con-
22 clusion you wish to draw? Because there is, as you
23 say, a very widespread view held that the coastal
24 trade, that the trade along the Atlantic Coast and
25 the Gulf of Mexico and the Pacific Coast, is large.

26 PROF. JACKSON: I recognize the importance of
27 this, sir, and I should like to say to begin with
28 that the figures are available ^{after} / very considerable
29 difficulty, so that the question, if asked, can be
30



1 answered and could have been answered this morning
2 if we had had a fuller opportunity to prepare
3 material. I can make two statements as to 1929
4 and 1952, just comparing two years, a generation
5 apart which were not unlike in that both were years
6 of great business activity. In 1929, the strictly
7 coastwise trade of the United States was 125,000,000
8 tons approximately, and in 1952 the strictly
9 coastwise trade was 184,000,000 tons, approximately.
10 On the Great Lakes the corresponding figures were,
11 in 1929, 136,000,000 tons approximately; in 1952,
12 154,000,000 tons approximately. I can quote
13 these figures because I was on the telephone with
14 Toronto an hour ago and happened to ask for those
15 particular items and happened to make a note of
16 them. Will you permit me to put them in in answer
17 to your questions?

18 THE CHAIRMAN: They are in the record now,
19 and I think they are a valuable addition to the
20 record.

21
22 PROF. JACKSON: I should say further,
23 referring back to the brief of the Shipbuilders'
24 Association, we have made a statistical study of
25 the relation between the volume of coasting trade
26 and the size of this country's gross national
27 product, and what we said about it will be found
28 in Section 10 of our submission. If I may quote
29 that for a moment, from Section 10:

30 "It is shown in Appendix: Table XII



1 "that both the tonnage of vessels entered
2 "at Canadian ports in foreign service, and
3 "the tonnage of vessels entered at Canadian
4 "ports in coastal service, have increased
5 "and are increasing at rates very much
6 "slower than the growth rate of Canada's
7 "Gross National Product."

8 That one statement without figures which is made in
9 the text of our submission was illustrated by a
10 diagram which accompanied the submission, and that
11 diagram was headed, "Record of Economic Growth in
12 Canada from 1926 Onwards."

13 We did not want to worry the Commission
14 with the results of the technical statistical
15 analysis which might have seemed only of academic
16 or over-academic interest to the members of the
17 Commission, but what we did establish by means
18 of that analysis -- and we could elaborate with
19 precise figures if you care to have them -- was
20 that in the growth of Canada there is what a
21 mathematician would call a functional relationship
22 between the growth of waterborne commerce, both
23 coastwise and ocean, and the growth of the gross
24 national product; and the gross national product,
25 for reasons, some of them clear and some obscure,
26 is never matched over a period of years by the
27 rate of growth of the waterborne commerce. It is
28 just as though the consumption of cigarettes did
29 not increase as fast as the numbers of the population.
30



1 THE CHAIRMAN: Isn't that inevitable with,
2 in a growing country, the growth of another means
3 of transportation?

4 PROF. JACKSON: But the other means of
5 transportation is not robbing the coasting trade.
6 The coasting trade is visibly growing at a substantial
7 rate, but much less rapidly than the growth of the
8 gross national product. What I know we can show
9 to the Commission when we look at the American
10 figures is that the relation between the growth
11 of the American waterborne commerce and the gross
12 national product of the United States is of precisely
13 the same character -- not necessarily quantitatively
14 the same, but is of precisely the same character as
15 the nature of the growth in Canadian coasting trade
16 compared with the growth in our Canadian gross
17 national product. Both the Canadian coasting trade
18 and the coasting trade of the United States have
19 been developing according to their own laws, and
20 in the same relation to the growth of the country
21 on either side of the boundary.

22 I don't know whether that deals satisfactorily
23 with the question raised.

24 COMMISSIONER WICKWIRE: Would any useful
25 purpose be served if there were a breakdown of
26 what proportion of these figures consists of bulk
27 cargoes and what package freight? I don't know
28 whether any useful purpose would be served or not,
29 but it strikes me that it is possible that the big
30



1 increase is in bulk cargoes such as coal or oil.

2 PROF. JACKSON: I have a boundless
3 curiosity, and I should like to see those figures
4 to satisfy my own mind. I cannot now, with my own
5 data 300 miles away in Toronto, say for certain
6 that breakdown can be made, but if it can, I
7 promise it will be. I don't want to promise
8 something and then find I cannot perform it.

9 COMMISSIONER WICKWIRE: Thank you.

10 MR. GERIN LAJOIE: I understand that the
11 figures of tons in Exhibit 217 are tons carried,
12 while the figures you quoted from the brief of
13 the Canadian Shipbuilding and Ship Repairing
14 Association is in tonnage of ships?

15 PROF. JACKSON: That is quite true. It is
16 impossible to put the figures down in precisely
17 the same form in the two countries, because they
18 don't exist in any form in directly comparable
19 fashion. In Canada we have the tonnage of ships
20 entered and cleared, and in the United States we
21 have the tonnage of the cargoes actually moved.

22 MR. GERIN LAJOIE: I suppose the figures
23 in that case are not entirely comparable? They are
24 to a certain extent.

25 PROF. JACKSON: The figures themselves are
26 not comparable in the sense they are records of
27 different phenomena, both of them connected with
28 coasting trade, but the percentage rate of increase
29 of the one is directly comparable, I think, with
30



1 the other, because in so far as either of these two
2 series of figures measures the volume of business
3 in one way or another, it is the rate of growth of
4 volume we are trying to compare and not the amount
5 of the volume.

6 DR. HOPE: I do not want to prolong this,
7 ^{was} but I/quite interested in that chart, and I was
8 wondering why that was so. It does not seem
9 reasonable, but when I look at that chart I see some
10 serious questions. I notice your trend line of rate
11 of growth, but if you look at the trend line you see
12 a tremendous deviation below normal in the war years,
13 and it is very clear to me when I look at the chart
14 something happened during the war years to the
15 domestic commerce of Canada, and in the last ten
16 years the trend of growth of waterborne domestic
17 commerce in Canada has been faster than the gross
18 national product. If you put that on a ratio chart
19 you will notice that from 1946 to 1953 the trend
20 has been greater than the gross national product.
21 So, it is not as simple as to say, taking a long
22 period, that one has grown more rapidly than the
23 other, because obviously for some reason or other
24 it declined during the war. I could put my finger
25 on one thing at least that we do know: The movement
26 of grain on the Great Lakes is an important part of
27 our trade, and that fell away during the war.
28 There may be other/reasons why there was a big drop.
29 The same shows in the United States: They had the
30



1 same decline exactly from 1940, whereas your exhibit
2 shows, 1941 -- 532,000; and then went down to
3 490,000, 453,000 and 446,000, and then since then
4 much the same story -- "rapid increase".

5 So it seems to me if the argument is worth
6 anything at all, then it is worth examining and
7 finding the reason for it.

8 PROF. JACKSON: I could not agree more with
9 the last speaker than I do, that something happened
10 in the war years, and what happened in the war years,
11 of course, was the almost total disappearance of
12 all trade in the world other than the trading
13 activities carried on by governments to pursue our
14 war aims or by enemy governments to pursue theirs.
15 If one looks at this diagram to which reference
16 has been made, one sees that from 1939 to 1942,
17 I think the year is, there is a precipitous drop
18 in the volume of international trade. Surely, no
19 man who lived through those years needs to ask the
20 Commission or anyone else why the volume of trade
21 dropped during those years when the survival of the
22 world was in question. In the same period, not
23 being so long a time, and much less precipitously,
24 the volume of our coastal trade dropped also.
25 My suggestion is that, broadly, the same reasons
26 account for the two drops. Subsequently, you have
27 a very rapid recovery indeed in the volume of
28 international trade and a rapid recovery, but not
29 quite so rapid, in the volume of coasting trade.
30



1 I suggest, sir, and I think if one made a technical
2 statistical analysis one would find it becoming
3 increasingly more evident, and I suggest what
4 happened has been that as we returned to normal
5 business conditions after the war, as we restored
6 the freedom of the individual to conduct the
7 transactions he wished to transact, the prewar
8 relationship between the volume of international
9 trade and the Gross National Product, and the
10 relationship between coasting trade and the Gross
11 National Product were restored. If for any reason
12 business is depressed and then recovers, the
13 recovery is all the more marked, if it is a real
14 recovery, because from the low point of the scale
15 it started at a low level and there was a long way
16 to climb. Actually, all the evidence we have
17 before us indicates that during the past few years
18 the same relationship between international trade
19 and coasting trade and gross national product
20 were established as existing before the shooting
21 began in 1939. That is exactly what one would
22 expect a priori if one did not have access to the
23 facts.

24
25 If I may go back, sir, to the question you
26 asked a few moments ago, as to why the volume of
27 coasting trade and the volume of international
28 trade should increase less rapidly than the Gross
29 National Product; one large part of the explanation
30



1 must be simply this, that the larger the volume
2 of the Gross National Product, the more mature the
3 country, the better off the average citizen, the
4 larger is the proportion of what we produce which
5 does not take material shape. Most of us eat no
6 more than we ate when we were 25 years of age. We
7 may be not eating as much inspite of the fact that
8 we probably could afford two or three times as much
9 as we could afford when we were 25. What we have
10 done is to become a great deal better off than we
11 were at the age of 25 and to spend a large part
12 of the increase in our incomes in what the Governor-
13 General would call cultural activities, or on
14 amusements, or on the education of our children,
15 or various other things which do not take the form of
16 freight being loaded on ships.

17 COMMISSIONER WICKWIRE: That age has sometimes
18 been referred to as the happiest time of your life --
19 twenty-five.

20 PROF. JACKSON: I venture to say, sir, if
21 I may do so without seeming brash, that you may be
22 inclined to revise that conclusion in 20 years time
23 and to decide that, after all, in the fifties or
24 sixties life has compensations.

25 COMMISSIONER WICKWIRE: Well, I have passed
26 it by a few years.

27 PROF. JACKSON: I will not pursue it, sir.
28 I would so ner leave it to your experience to
29
30



5107

1
2 decide that question.

3 THE CHAIRMAN: Are West Point Ferries here
4 yet? Dominion Marine Association?
5

6
7 (Page 5115 follows)
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Take D
JMcG
Jan. 4⁷56

MR. GERITY: Mr. Chairman, I have not pro-

posed to call any witnesses this morning and with your approval I will merely speak to Exhibit 165 which I submitted in writing two weeks ago, and explain any parts of it which may not seem to be clear. It was my intention in writing it to give the necessary references to evidence by page and line and include sufficient material so it would be self-explanatory. Unfortunately the Christmas holidays intervened and I could not get copies printed in time and there are only the four original copies I forwarded to the Commission.

There are one or two cross-references I might mention at this time. The first graph in Exhibit 165 (1) has been prepared as a result of our former exhibit No. 7, which contained two graphs of ocean freight rates and Lake freight rates, and your counsel asked me in Montreal if it was not possible to take them both together in some such form as to show why ocean rates are so far below our own when ocean vessels were a competitive threat. Except during the period of the Korean war ocean rates on grain out of Montreal have gone far below our own.

These figures were prepared from a table supplied by the Montreal manager of the Wheat Board and are exactly similar to the figures given to this Commission by the Board of Grain Commissioners as Exhibit No. 181.



1 The material which follows that graph is
2 purely explanatory of the graph and the tables give
3 the actual rates in shillings and in the Canadian
4 equivalent for grain rates out of Montreal for the
5 period of 1950 to 1955. We could not get figures
6 previous to 1950 because I do not think the Wheat
7 Board kept those figures before that time.

8 I think it is amply clear, in answering the
9 question put by your counsel, that with the ordinary
10 tramp vessels, the rates out of Montreal to European
11 ports have been steadily below our own and have
12 fluctuated from time to time over the past years as
13 indicated in Exhibit 7.

14 It has been admitted, I think, by those who
15 deposed, and I think there was one witness for
16 the Government of Manitoba who said ocean rates
17 were highly volatile. I think these graphs clearly
18 show that.

19 I happen to have one copy here if there is
20 not one at hand, and this particular graph, 165 (1),
21 I think clearly indicates that with the exception
22 of the year 1951, in the latter part of the Korean
23 war, the ocean rate has been below our own and
24 for some reason is climbing at the current time.

25 In the exhibit, Mr. Chairman, I have
26 made the necessary references in the margin by
27 page and line so that they may be seen.

28 The next item we put in was an explanation
29 of the daily operating costs arising out of our
30



1 Exhibit 93 which was put forward by the witness,
2 Mr. Cote, in Montreal, and is divided into type A
3 and B. Type A includes four large new vessels and
4 B refers to medium-sized vessels. You will recall
5 the daily operating costs for the first type was
6 \$3078 a day and for the second type \$1282 a day.
7 Also in that exhibit we put forward an explanation
8 of the figures explaining from whence they came,
9 how they were drawn, the tonnage of the vessels
10 and the capacity in bushels and figures for depre-
11 ciation.

12 I might at this time refer to Exhibit 200,
13 put forward by Canada Steamship Lines, and we have
14 checked our own figures of the Association against
15 those figures and we find, referring to Canada
16 Steamship Lines' tables, in a ship of somewhat
17 similar size by actual experience in these four
18 large ships over the past four years, which is not,
19 of course, the current rate, it was within .6
20 of a cent. Canada Steamship Lines' figures,
21 which were for 230 days, and for a slightly dif-
22 ferent capital cost, were exactly .6 of a cent per
23 bushel cost greater than the experience for the
24 four years prior to 1955 on these four vessels.

25 COMMISSIONER WICKWIRE: Whose vessels
26 are they?

27 MR. GERITY: I put forward the names of
28 the vessels in an official letter to the Com-
29 mission dated 19th December.

30 THE CHAIRMAN: It has been received.



1 MR. GERITY: It lists four vessels of each
2 class, and type A, of course, are all large, new
3 vessels.

4 Speaking of the cost of moving iron ore from
5 Seven Islands to Hamilton -- and I think the prior
6 figures were to Astabula -- by working them out
7 again we find Canada Steamship Line figures are
8 higher by 8 cents greater than the cost shown. The
9 Association would like to adopt the figures put
10 forward by Canada Steamship Lines in Exhibit No. 200;
11 as far as the figures go, they are, as I have said,
12 within .6 of a cent in the actual carriage of grain
13 by actual experience and not by projected present-
14 day cost.

15 COMMISSIONER WICKWIRE: Canada Steamship
16 Lines is part of your Association, a large part.

17 MR. GERITY: It is. They undertook to
18 prepare Exhibit 200 because it arose from a ques-
19 tion directed to them at Montreal and I think if
20 you will recall, sir, they appeared because they
21 have very large interests besides ship owning.

22 Now, the second item put forward in this
23 submission is an explanation of daily operating
24 costs which was prepared by Dr. MacDougall,
25 table 165 (1), and the second table, 165 (2).
26 This calls for the 230-day operating year although
27 the actual experience of the four years for
28 vessels type A was for 200 days. I might mention
29 at this time that Exhibit 187 uses a figure of
30 250 operating days and most certainly in the



1 last four years with these four large ships we have
2 had only 200 days. Using Canada Steamship Lines'
3 figures of 230 days, Dr. MacDougall prepared a
4 second table, put in as 10A. Both of these tables
5 are intended to amplify Exhibit 93, which is a table
6 of our daily operating costs, and I will say no
7 more than at the present time both calculations
8 show for the carriage of grain only to Georgian
9 Bay ports we would barely make our operating costs.
10 I think that is correct and if there are any further
11 explanations required Dr. MacDougall is here.
12 I am referring to these two tables only.

13 In the third part of this written exhibit
14 there is simply a short note. You will recall,
15 perhaps, that in Montreal Captain Misener's
16 evidence was that 80% of his canallers would be
17 no more use to him when the Seaway was built.
18 You said he had bought six new canallers and why
19 had he bought these six when his evidence was
20 that 80% of them would go. This was originally
21 referred to in Volume 1 (C) and the second
22 reference is in Volume 11, page 377, line 8.
23 He tells me it requires seven canallers to carry
24 forward a cargo of grain which one of his large
25 ships carries, and he required six more ships
26 whether or not they barely paid their operating
27 costs or were no use in future. He bought
28 these to balance his costs.

29 THE CHAIRMAN: Do you mean to say it
30 would be sound business to expend that money



1 on building these ships which can only be used
2 between now and 1959?

3 MR. GERITY: He did not build them, Mr.
4 Chairman, he bought them.

5 THE CHAIRMAN: He paid for them, I presume,
6 whether he built them or not.

7 MR. GERITY: He informs me he required
8 that kind of ship to balance his Upper Lakes tonnage
9 and if they only met the operating costs and
10 the expenses in paying for them he would be
11 satisfied.

12 THE CHAIRMAN: He must be making expenses,
13 to pay for them between now and 1959.

14 MR. GERITY: I presume so. They might
15 still be of some use but they are 80% of no use.

16 THE CHAIRMAN: We have evidence from
17 someone that there will be use for canallers for
18 some variety of trade even after the Seaway is
19 open.

20 MR. GERITY: That is correct, Mr. Chair-
21 man. Mr. McLagan clearly said so.

22 THE CHAIRMAN: And the exhibit filed
23 this morning shows that four of them are now
24 under construction or at least ordered.

25 MR. GERITY: That is correct, but the
26 vast majority are rather old ships.

27 THE CHAIRMAN: I think you are a little
28 too conservative with the word "rather".

29 MR. GERITY: Anyway, I thought, Mr.
30 Chairman, I should clear that up when Captain



1 Misener made that remark.

2 Next there are two drawings by Mr. Bustard,
3 who was a witness before the Commission, and
4 these are two outline drawings, 165.6 and 165.7,
5 and they are outline arrangements of (a) a com-
6 bined oil or ore carrier suitable for ocean and/
7 or Lake and St. Lawrence Waterways trade. These
8 show the dimensions, deadweight carrying capa-
9 city and barrel capacity for oil, speeds, and
10 the number of crew. These were set out to
11 the best of Mr. Bustard's calculations and the
12 second vessel is an outline arrangement of a
13 combined ore or grain carrier.

14 I think, Mr. Chairman, you will recall
15 that Mr. Lowery gave sufficient explanation of
16 the matter, and I would point out the letter
17 from the Iron Ore Transport Company stating
18 their second vessel building in England is a
19 combined oil or ore carrier.

20 I have put on page 17 two extracts from
21 a Canadian trade magazine called Fairplay
22 which suggests using ordinary tankers as grain
23 carriers. Both of these references, I think,
24 are self-explanatory.

25 Mr. Bustard prepared the second outline,
26 which is on page 18, and which is an outline
27 arrangement of a suitable ore or grain carrier
28 suitable for ocean and/or Lake and St. Law-
29 rence Waterways trade. In accordance with the
30 evidence he gave before this Commission he did



1 MR. GERITY: No, this is a proposed draw-
2 ing. I did mention one vessel which is specifi-
3 cally before the Commission, and it is in the
4 letter, Exhibit 16, and that is a ship which
5 will be delivered next year.

6 COMMISSIONER WICKWIRE: That is the one
7 that was laid down in 1951?

8 MR. GERITY: I think the order date is
9 given in this exhibit, if I am not wrong.

10 COMMISSIONER WICKWIRE: It was 1950 or 1951.

11 MR. GERITY: She sailed on the 9th December
12 from England. The Ruth Lake will be delivered
13 next year and was launched in the first week of
14 December last year. She carries oil in her
15 holds as well as the tanks. The second vessel
16 I have mentioned here, and Mr. Bustard gave it
17 every consideration and considered prototypes, and
18 we think the articles referred to show that
19 ordinary tankers may be used for the carriage
20 of grain. During the war they were used in the
21 form of a vessel known as a "MAC" ship.

22 This is Exhibit 197 from Mr. O'Donnell
23 where he said contracts had been placed by letter
24 in 1951. Of course, it was anticipated they
25 would not be required until the latter part of
26 1955 with the delivery date for the first ship
27 is August, 1955, and it was later agreed to be
28 the 17th December, 1955, and I know it was
29 delivered on the 8th December.

30 The second vessel is the Ruth Lake which



1 will be delivered in December this year,
2 and her bulk carrying capacities
3 are given here, a bulk carrying capacity
4 of 22,400 tons and 213,000 barrels of oil.

5 THE CHAIRMAN: Of course, these boats
6 could not get into the Lakes at any time.

7 MR. GERITY: They could not. They are
8 now carrying oil from Venezuela and Liberia.
9 One is presently on the way to Chile to get a
10 cargo of ore needed for some reason or other in
11 the mills.

12 On page 20 Dr. MacDougall has prepared a
13 report on the balance of merchandise trade be-
14 tween Canada and the United Kingdom.

15 A great many people who have come before
16 this Commission speak of the balance of trade
17 and the necessity of the United Kingdom to earn
18 dollars by putting my clients out of business,
19 and I think it can be seen at a glance from the
20 table on page 25 that at no time in the past
21 56 years has the United Kingdom enjoyed a
22 favourable balance of trade.

23 COMMISSIONER WICKWIRE: One of your
24 clients was going to recover the cost of six
25 canallers in two years, and now you say these
26 people from the United Kingdom are going to
27 put your clients out of business. He had a
28 pretty good business.

29 MR. GERITY: It is not exactly two
30 years. In the first place the ships were



1 bought, they were bought under particular contract
2 terms, and in the third place they will probably
3 continue to be used for not less than five or
4 six years, because I do not think anybody before
5 this Commission or anywhere else pretends to
6 say all ships now sailing will go out of business
7 and everybodyh will suddenly find hundreds of
8 millions of dollars to invest in a new type of
9 vessel, and even if we ourselves can build a
10 new type of vessel we have to find capital to do
11 it, which has always been privately found to the
12 moment.

13 All our ships were built at a time when
14 the owners thought they could do well in the
15 grain trade, but I do not think I need tell
16 the Commission anything about the state of the
17 grain trade. All these vessels have been
18 laid up from time to time and I think the Commis-
19 sion saw four at Prescott just before you went
20 to Montreal. The owners were over-optimistic
21 of the grain trade and now need the canallers
22 to balance the trade for five or six years. I
23 do not know what price was paid for them, but
24 the fact of the matter is that the canallers
25 were purchased to balance the Upper Lake trade
26 which is in our hands and will be until the
27 St. Lawrence Seaway is put through. I do not
28 suppose six months later the British companies
29 or anyone else is going to invest hundreds of
30 millions of dollars.



1 COMMISSIONER WICKWIRE: It occurred to me
2 you said on one hand one of your principals
3 would go and buy six canallers and write the cost
4 off in a very short period of time, and in the
5 next breath you say the United Kingdom is going
6 to put you out of business.

7 MR. GERITY: I do not think that is neces-
8 sarily an inconsistent statement. I might know
9 perfectly well there will be better automobiles
10 available to me next year, but I might want one
11 this year. It does not get away from the fact
12 I need an automobile now and not next year.
13 These canallers were available, I presume, at a
14 fair and reasonable price. I am not at liberty
15 to put forward the exact details if I did
16 know them, but if the Commission is interested
17 I could find out.

18 COMMISSIONER WICKWIRE: I am only
19 trying to explore your two statements because
20 it seems to me some people are going to suggest
21 your principals are making too much money and
22 need a little competition to get the price down.
23 Somebody is going to check you on those state-
24 ments.

25 MR. GERITY: I might perhaps say that the
26 people who grow the grain are making too much
27 money too and that is why they are not selling
28 it.

29 COMMISSIONER WICKWIRE: Perhaps they
30 have.



1 MR. GERITY: However, sir, I think there
2 is no validity in the fact the United Kingdom
3 must earn dollars with trade in this country be-
4 cause for 56 years they have not enjoyed any
5 balance of trade with this country and possibly
6 longer than that.

7 Now, in part 3 I prepared some figures
8 myself to which I made reference in Montreal
9 for insurance, giving the insured value as
10 \$213,324,390. That is for this Association.
11 The premiums have been divided up at what we
12 may call a fair insurance minimum to show premiums of
13 \$4,174,665, and the best information I am able
14 to find is that 60% of the premium goes to
15 the United Kingdom and 25 to 30% of the remainder
16 in re-insurance. However, a great many of the
17 companies writing insurance in Montreal are sub-
18 sidiaries of the British companies. It is as
19 least as great as any sum of money the United
20 Kingdom interests earn by coasting at any time.
21 That was put forward by Mr. Dixon and the figures
22 were prepared to arrive at a per ton value
23 which was \$261 per gross ton, at least at the value
24 the owner set upon it for insurance purposes.

25 Now, the whole of this exhibit was pre-
26 pared from the notes and information of the
27 witnesses, Professor MacDougall, Mr. Crate, our
28 chartered accountant, and Mr. Bustard, the
29 naval architect, all of whom appeared before
30 the Commission and whose background and



1 qualifications are given in Volumes 1 (C) and 11.

2 The remaining part of the Appendix is
3 simply answers to questions your counsel has asked.
4 I think they are self-explanatory. I do not pro-
5 pose to take up the Commission's time with
6 them. They are answers to questions concerning
7 depreciation, names of vessels, speed of vessels
8 and other information that was asked for in
9 Montreal and other places.

10 In the last Appendix I have put in two
11 tables of steaming times of large fast vessels
12 and medium-sized Upper Lakers.

13 As I have said, we compared all our cost
14 figures with those put forward by the Canada
15 Steamship Lines and the grain figure varies by
16 .6 cents and the iron ore rate by, roughly, 8
17 cents.

18 That is the total of the factual infor-
19 mation we have to put forward in addition to
20 all the witnesses we have called from time to
21 time and the exhibits we have put forward.

22 COMMISSIONER BELANGER: Do you mean you
23 support the statement made by Mr. Lowery?

24 MR. GERITY: We do, but it will be
25 realized our figures were prepared on an actual
26 200-day operating year. They have taken 230
27 days for medium-sized ships. I have gone over
28 all the figures and you will find there is a
29 difference in capital cost and bushel capacity
30 of our ships which is higher than that used by



1 Mr. Lowery, but all in all it works out at .6 cents
2 for the actual carriage of grain. 6.15 cents
3 was the rate he gave for the cost of bushel
4 carriage of grain from the head of the Lakes to
5 Kingston. That comes out to exactly .6 of a cent
6 higher than the actual experience of these four
7 ships, the names of which have been given to
8 the Commission. The iron ore rate was calcu-
9 lated to Hamilton by Canada Steamship Lines
10 and to Astabula for the figures of the rest of
11 the Association, and in our case it is about
12 8 cents higher, but it is a little difficult to
13 estimat the canalling time, it may be a fast
14 passage through the canal or it may be a slow
15 one. We have checked these figures from
16 our own actual records and these are the differ-
17 ences.

18 MR. MUNDELL: There is just one question
19 in connection with the insurance figure; is
20 that the gross figure that goes to the United
21 Kingdom?

22 MR. GERITY: Perhaps I had better just
23 refer back to that. These were figures I pre-
24 pared.

25 MR. MUNDELL: What I am getting at is,
26 are there any deductions for losses?

27 MR. GERITY: No, none whatever, that is
28 the gross premium over the year. Losses
29 naturally come out.

30 DR. HOPE: Referring to the document



1 filed by the Canada Steamship Lines on December
2 17th, it is a very important document and no
3 doubt we will hear a great deal about it. I
4 understand you to say your Organization supports
5 the evidence as presented there.

6 MR. GERITY: We have compared our actual
7 records for the past five years with their
8 figures for Upper Lakers, and we say there is a
9 difference of .6 of a cent on the grain and pos-
10 sibly 8 cents on iron ore.

11 DR. HOPE: That is, Canada Steamship
12 Lines are higher?

13 MR. GERITY: Higher, but that is account-
14 ed for by the 200-day operating year, not the 250-
15 day year. Manitoba has projected.

16 DR. HOPE: And not the 230 days of Canada
17 Steamship Lines.

18 MR. GERITY: They took an average of
19 all the years.

20 DR. HOPE: Your lower cost was based on
21 200 days?

22 MR. GERITY: Yes, and slightly differ-
23 ent capital cost and lower wages. We have
24 a new union contract.

25 DR. HOPE: They use 25 years as the
26 depreciation rate on the Great Lakes and 20
27 years on salt water. That is, there is a 5-
28 year difference. Is that the considered
29 opinion of experienced shipowners as to the
30 difference between salt water operated ships



1 and Lakers? I recall there was a figure given
2 of 35 years for life on the Great Lakes and many
3 of them are older than that. Do you still support
4 the view it should be 25 years?

5 MR. GERITY: The actual depreciation we
6 took was explained by Mr. Crate in his evidence
7 in speaking to Exhibit 93. Ships become obso-
8 lescent, it isn't just a matter of age and because
9 they can float. The fact is, when the Seaway
10 is opened some of the old vessels staggering
11 around are not going to be any good. They
12 cannot meet competition. They only do business
13 today because they get goods to carry from time
14 to time.

15 DR. HOPE: With respect to the cost of
16 the British ships, I presume when you say you
17 support it you must know how the evidence was cal-
18 culated.

19 MR. GERITY: It is difficult to arrive
20 at cost figures.

21 DR. HOPE: I was going to refer only to
22 British wages.

23 MR. GERITY: They were taken from the
24 exhibit put forward by the British Council on
25 Shipping.

26 DR. HOPE: I understand it is custom-
27 ary for them to pay a bonus to British crewmen
28 operating in Canadian waters. Do you recall
29 if the bonus was added in?

30 MR. GERITY: I think it was. I think



1 the bonus was \$18.

2 THE CHAIRMAN: I think that was said in
3 the evidence.

4 MR. GERITY: I am certain that was all
5 covered. We did check the building costs as
6 far as we could and we were within \$60,000 of the
7 price used by Canada Steamship Lines.
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16 (Page 5155 follows)
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Take E 1 MR. MUNDELL: The Canadian Shipowners
WM
an.4/56 2 Association, Mr. Fisher.

3 THE CHAIRMAN: Yes, Mr. Fisher?

4 MR. W.J. FISHER: Gentlemen, there are
5 four points I wish to make on the rebuttal evidence
6 on behalf of the Canadian Shipowners Association.
7 The first point I have reference to is a statement
8 of the Dominion Marine Association -- in the trans-
9 script at page 342, line 21 --

10 "... and it will be our position that the
11 "Great Lakes constitute a peculiar problem in
12 "that at the present time it is the only part
13 "of this country that has a native flourishing
14 "industry unassisted by any government grants
15 "and entirely run and financed by private
16 "enterprise".

17 While this statement was to some extent quali-
18 fied in subsequent testimony it is submitted that
19 this segment of the Canadian Merchant Shipping
20 Industry already has benefited substantially from
21 government assistance in the following respects:

22 (a) The Canadian Maritime Commission advises
23 that the capital cost determinations under
24 the Vessel Construction Assistance Act
25 representing substantial depreciation bene-
26 fits on vessels which are presently
27 physically restricted to operating within
28 the Great Lakes, total as of November 1st,
29 1955, \$55,433,964.89.

30



1 (b) In their 1954-55 report the Canadian Maritime
2 Commission reported that \$29,111,000 arising
3 out of proceeds of disposition of war-built
4 ocean-going vessels, had been used to con-
5 tribute to the building or improvement of
6 lake and coastal vessels, including one
7 self-loading collier, one lake collier and
8 eleven bulk carriers. These funds were
9 acquired at substantial discounts ranging
10 from five to ten per cent.

11 Both these benefits arose out of a deliberate
12 government policy to encourage the rehabilitation
13 and modernization of the Great Lakes Shipping
14 Industry.

15 2. Application of Australian methods of
16 control of Coasting Trade -- found in the transcript
17 at page 1177. This method recommended by the
18 Canadian National Railways in their brief and
19 discussed with Mr. Bell during the Halifax hearings,
20 who is reported as stating:

21 "It appears that by mutual under-
22 "standing these United Kingdom boats which
23 "go down to Australia, have carried out
24 "the practice automatically, and, as a
25 "result, the Australian Government has
26 "not received any complaints from any of
27 "the waterfront unions which it would
28 "make it necessary for them to proclaim
29 "the Act. The United Kingdom shipowners
30 "know that is a condition and when they



1 "go to Australia they merely put in the
2 "wage rates".

3 The foregoing statement does not appear to
4 represent the true facts and practices in respect
5 to Commonwealth ships, other than Australian, en-
6 gaging in the Australian Coasting Trade. The
7 following extract is taken from a letter from the
8 Chamber of Shipping of the United Kingdom dated
9 30th August, 1955, in reply to a query of ours res-
10 pecting their experience in operating in the
11 Australian Coasting Trade:

12 "As far as the coasting trade of
13 "Australia is concerned, the position appears
14 "to be as follows:-

15 "No vessel exceeding 200 tons may
16 "engage in trade on the coast except under
17 "licence.

18 "Such licences will be granted to
19 "any ship less than 24 years old and built
20 "in an Australian shipyard.

21 "Every licence shall be issued sub-
22 "ject to compliance during such time as she
23 "is engaged in the coasting trade with
24 "Australian wage and manning scales. Where,
25 "however, there is a shortage of tonnage
26 "and the Minister is satisfied that it
27 "is desirable in the public interest that
28 "unlicensed ships be allowed to engage
29 "in the coastal trade, he may grant per-
30 "mits to unlicensed British ships to do so.



1 "A ship operating under such a permit is
2 "not deemed to be engaging in the coasting
3 "trade and does not therefore have to comply
4 "with the Australian wage and manning scales' .

5 "As far as the Liner Companies trading
6 "regularly to Australia are concerned, they
7 "do in practice engage in the coastal trade,
8 "and as far as we can gather have never even
9 "been required to obtain a permit. In the
10 "case of tramps, these have from time to time
11 "engaged in the coastal trade and, here
12 "again, they have not been required to ob-
13 "serve Australian manning scales and wage
14 "rates although, in practice, the crews of
15 "such U.K. ships have been paid a bonus.
16 "This bonus was arrived at by negotiation
17 "between the shipowners and the U.K. Unions
18 "and is therefore something quite different
19 "from an obligation imposed by a Government
20 "with the object of forcing ships of foreign
21 "flags to comply with conditions applicable
22 "to ships of that Government. The bonus
23 "referred to does not and was never inten-
24 "ded to create parity between British and
25 "Australian rates of pay, overtime rates
26 "and manning scales. We have always
27 "felt that any general acceptance of a
28 "principle of this nature should be re-
29 "sisted to the utmost as it would place
30 "the shipowner engaged in world trade in



1 "an impossible position, quite apart from
2 "the anomalies it would create in the rates
3 "and conditions of service as between one
4 "U.K. ship and another".

5 The foregoing coincides with the experiences
6 of our own members who from time to time have en-
7 gaged in the coasting trade of Australia.

8 3. Use of escrow funds and the operation
9 of vessels built with proceeds of disposition of
10 "Park" type war-built vessels sold by the Government
11 to Canadian shipping companies and subsequently
12 sold foreign -- found in the transcript at page
13 1182.

14 Mr. Bell commenting on a letter he had re-
15 ceived from the Honourable Lionel Chevrier, Minister
16 of Transport, stated:

17 "The Hon. Lionel Chevrier is mistaken
18 "in his reply because the two 28,000 dead-
19 "weight ton tankers were not built out of
20 "escrow funds and were not built for
21 "Canadian operation, they were built for
22 "Greek interests who placed the orders in
23 "the St. Lawrence area."

24 On behalf of the owners of the two tankers
25 referred to by Mr. Bell, it is desired to record
26 the true facts. These two tankers, the S.S.
27 "Andros Venture" and the S.S. "Andros Fortune"
28 are registered in Canada, their registration num-
29 bers being 194857 and 197519 respectively. The
30 vessels are still and have been operated since



1 they went into operation, on Canadian registry,
2 employing Canadian crews. They are owned by the
3 Andros Shipping Co. Ltd. of Montreal, a Canadian
4 corporation, whose principals are American citizens,
5 and were built at the Davie Shipbuilding Yard at
6 Lauzon, Quebec, from the proceeds of sale of "Park"
7 type vessels owned by the Company.

8 Later on in his evidence Mr. Bell raises
9 some questions regarding the use of escrow funds.
10 For the record the following statement on the use
11 of these escrow funds is taken from the Eighth
12 Annual Report of the Canadian Maritime Commission
13 dated June 27th, 1955 for the period ending March
14 31st, 1955:

15 "Since the commencement of the plan
16 "in 1948, the sale of ships has resulted in
17 "the placing in escrow of a total of
18 "\$57,232,210.30 of which \$17,526,000 has
19 "been used or allocated for the building
20 "of two large tankers and one ocean-going
21 "dry cargo vessel in Canadian shipyards,
22 "the acquisition of five dry cargo ships
23 "and the modernization of fifteen existing
24 "freight vessels embracing conversion to
25 "oil, modifications to cargo capacity,
26 "the fitting of improved type propellers
27 "and stiffening to increase deadweight
28 "capacity. In addition escrow funds
29 "totalling \$29,111,000 have been used to
30



1 "contribute to the building or improvement of
2 "lake and coastal vessels, including one
3 "self-unloading collier, eleven bulk carriers,
4 "seven tankers, two tugs, one dipper dredge,
5 "one tow barge, one lake collier and one
6 "passenger ferry."

7 All this money has been spent in Canadian
8 shipyards.

9 The relevance of Mr. Bell's evidence has
10 escaped me but since it was on the record I wished
11 to have the correct information in rebuttal put in.

12 COMMISSIONER WICKWIRE: Was that Mr. J.K.
13 Bell?

14 MR. FISHER: Yes, he made those statements
15 and they stood on the record and I felt they should
16 not go unchallenged and that is my point in putting
17 them in at this time.

18 The fourth point I wish to make is the de-
19 cline in the size of the Merchant Marine of Great
20 Britain and Northern Ireland relative to world
21 shipping.

22 Proponents for closure of the Coasting
23 Trade of Canada have indicated in many of the
24 briefs submitted to the Commission their fear that
25 unless Commonwealth ships (particularly those reg-
26 istered and operated in the United Kingdom) are
27 debarred from the Canadian Coasting Trade, such
28 shipping will eventually drive Canadian registered
29 and operating shipping out of business. Such
30 fears must be predicated on the ability of the



1 shipping resources of Great Britain to expand,
2 sufficiently, in order to embrace the new trading
3 opportunities which will be open to them on com-
4 pletion of the Seaway. The following table (ex-
5 tracted from Lloyd's Register of Shipping) shows
6 that merchant fleets of Great Britain and Northern
7 Ireland over the past forty-seven years have in
8 fact declined materially in relation to the total
9 volume of world shipping and the corresponding
10 volume of world trade. I have prepared this table
11 which I would like to submit as an exhibit.

12 MR. MUNDELL: Exhibit No. 221, a statement
13 entitled, "Table Showing the Decline in the size
14 of the Merchant Marine of Great Britain and Northern
15 Ireland Relative to World Shipping, 1908-1923-1938-
16 1953" and a subsequent table.

17 ---EXHIBIT NO. 221: Table Showing the Decline in
18 the size of the Merchant Marine
19 of Great Britain and Northern
20 Ireland Relative to World
Shipping, 1908-1923-1938-1953.

21 MR. FISHER: Mr. Chairman, the purpose
22 for filing this evidence is that we propose to argue
23 at the appropriate time that on the basis of
24 these facts there will be evidence that there is
25 a limitation on the volume of shipping which
26 Great Britain can operate and support, economi-
27 cally support, that is, man and operate. It must
28 be equally evident that one of the basic causes
29 for this is limited manpower. With a relatively
30 static population it would seem to be a valid



1 conclusion that United Kingdom interests will not
2 be able to expand in the manner anticipated in
3 order to dominate, to the exclusion of Canadian
4 interests, the Canadian Great Lakes coasting trades.

5 That is all I wish to say, Mr. Chairman.

6 MR. MUNDELL: Mr. Fisher, in connection
7 with your first point you mentioned that certain
8 escrow funds were acquired at substantial discounts
9 ranging from 5% to 10%, can you give us the source
10 of your information?

11 MR. FISHER: The source of information is
12 from members of our Association.

13 MR. MUNDELL: Would that cover the whole of
14 the \$29,000,000 or do you know what proportion of
15 it?

16 MR. FISHER: Oh, not necessarily, I do not
17 know what proportion of it, the actual proportion
18 of it must be that because that was the only
19 source, that it was made for building on the Great
20 Lakes which came out of the escrow funds which
21 were entirely owned by the ocean-going operators
22 and the funds were only available by way of
23 assignment and there was some quid pro quo on every
24 assignment.

25 MR. MUNDELL: The point I was making, the
26 statement you made appears to cover the whole
27 of the \$29,000,000. You do not know the pro-
28 portion?

29 MR. FISHER: I would say all of it, I do
30 not see how the funds could be made available



1 unless by assignment and I do not suppose any of
2 the owners are going to give funds without some
3 quid pro quo, there is no point in it.

4 MR. MUNDELL: That is to say, the quid pro
5 quo, they got less than ---

6 MR. FISHER: Well, they were able to escape
7 their obligations and for the assignment of funds
8 they got cash out for the funds.

9 THE CHAIRMAN: And their requirement was
10 to use those funds within a substantial number of
11 years which was approaching the end of the term
12 that they assigned.

13 MR. FISHER: In some instances, in others it
14 was the point of view of the ocean-going operator
15 that he wanted to get access to his capital which
16 was tied up and, therefore, he accepted a discount
17 on his funds in order to get them into use. He
18 was not prepared to use them himself, he could not.

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22 (Page 5165 follows)
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3 MR. MUNDELL: Then coming to the second point
4 you raise with regard to the application of Australian
5 methods of control of the coasting trade; in the
6 letter you quoted from the Chamber of Shipping dated
7 August 30th, 1955 the statement is made that "No
8 vessel exceeding 200 tons may engage in trade on
9 the coast except under licence" and then "such
10 licences will be granted to any ship less than 24
11 years old and built in an Australian shipyard".

12 Are all of these ships of the liner companies who
13 trade regularly in Australia built in Australia.

14 MR. FISHER: No sir.

15 MR. MUNDELL: How do you reconcile these
16 statements?

17 MR. FISHER: The point is, it is confined to
18 the next paragraph;

19 "Where, however, there is a shortage
20 "of tonnage and the Minister is satisfied
21 "that it is desirable in the public interest
22 "that unlicensed ships be allowed to engage
23 "in the coastal trade--"

24 He may grant permits to those vessels, which
25 are presumably under permit. The actual experience
26 and practical application was that the situation
27 was such that they did not even have to acquire
28 a permit as far as we can ascertain.

29 I recognize the law is there. The law is
30



1
2 in effect. The point I wish to make was simply to
3 give you some of the practical applications of
4 what actually happened under the statutory require-
5 ments which prevail in Australia. They apparently
6 got a permit or a permit was gotten for them and
7 when the permit was issued it is not deemed to be
8 engaging in the coasting trade.
9

10 MR. MUNDELL: You have no information whether
11 they traded under permit or just illegally.

12 MR. FISHER: It may be one or the other. We
13 assume it must be that permits were acquired because
14 as far as we can gather they have never been required
15 to obtain permits.

16 MR. MUNDELL: Well, in the evidence it shows
17 a permit is not required.

18 MR. FISHER: That is the information we have.

19 MR. MUNDELL: It boils down to this, the
20 Australian statute has never been enforced. Is that
21 the point you are making?

22 MR. FISHER: That is it.

23 MR. MUNDELL: Then later on in making the
24 statement that the foregoing coincides with the
25 experience of our own members who from time to
26 time have engaged in the coasting trade of Australia;
27 have you precise data from the members who have
28 engaged in the trade?

29 MR. FISHER: No. If the Commission desires
30



1
2 it I can obtain it. I obtained this from our members
3 and they quoted two instances of where they had the
4 same experience. I have not got the information
5 with me but it may be obtained. I can give you the
6 exact vessel sailing dates and other things if you
7 are interested in that.
8

9 MR. MUNDELL: That is to say, this information
10 shows that ships of your members can operate in the
11 Australian coasting trade without a permit. Is
12 that it?

13 MR. FISHER: I believe they obtain a permit.
14 I would not like to say they do not get a permit.
15 I do not know that. I will have to find that out.

16 MR. MUNDELL: I think it would be of interest
17 to the Commission to know whether the Australian
18 statute is in force or the escape clause is utilized
19 or whether it is just ignored.

20 THE CHAIRMAN: I would find that interesting.
21 It is very easy to imagine the odd voyage to
22 Australia where they pick up some cargo and take
23 it to another port in Australia on the way home.
24 The Australian government would probably never even
25 know.

26 MR. FISHER: That was the reason why I
27 went to the United Kingdom Chamber of Shipping
28 for my information, sir; simply because they had
29 much greater experience than we have. Ours are
30 just, as you say, the odd voyage; so I sought



1
2
3 this information as to the actual experience of the
4 liner companies themselves; these big passenger
5 vessels.

6 MR. MUNDELL: You are not in a position to
7 state whether this was done with the knowledge of
8 the Australian government or not?

9 MR. FISHER: I have no further information,
10 Mr. Mundell, than is actually quoted in that extract
11 in effect to the British --

12 MR. MUNDELL: Thank you, that is all I have.

13 MR. GERITY: May I ask a few question, Mr.
14 Chairman.

15 THE CHAIRMAN: Yes.

16 MR. GERITY: Mr. Fisher, this \$29,100,000
17 escrow funds to which you refer to be used for the
18 building of lakers, can you tell us why the Lake
19 companies were allowed to have that money, which
20 was in escrow from your owners.

21 MR. FISHER: The purpose I think, Mr. Gerity,
22 was two things, as I suggested earlier in my state-
23 ment.

24 THE CHAIRMAN: As to the intention of govern-
25 ment, is that what we are getting to? That seems
26 a little futile.

27 MR. MUNDELL: It really is a question of
28 government policy.

29 THE CHAIRMAN: I am afraid getting to the
30



1
2 intention of the government is beyond both your task
3 and ours.

4 MR. GERITY: Perhaps I can put it a different
5 way. Is it true for me to say, Mr. Fisher, that it
6 is because the ocean companies were not using the
7 money, that it was made available to the Lake
8 companies.

9 THE CHAIRMAN: As to why it was made avail-
10 able, I think Mr. Fisher can express an opinion on
11 that.

12 MR. GERITY: Can you do that, Mr. Fisher?

13 MR. FISHER: Well, I think that the reason
14 why that the Canadian owners took advantage of
15 escaping from their obligations is that the onerous
16 restrictions placed by the government on the use of
17 the money itself made it impossible for them to
18 accomplish the purpose and that therefore this was
19 the least of a bad deal and the only way they could
20 escape. If the escrow funds -- if they had been
21 able to use those in a practical way without the
22 various onerous restrictions which the Government
23 insisted upon placing on the use of them by them-
24 selves; not only did they have to build ships in
25 Canadian shipyards; they had to covenant in
26 perpetuity to operate that ship under Canadian
27 registry. That was a condition the owners could
28 not accept and therefore they were stymied.
29
30



1
2 Therefore the money was just frozen. Some of them
3 thought "Well, with this condition maybe we had
4 better make the best of a bad deal, take our discounts
5 and go about our business shipping elsewhere in the
6 world. I think, Mr. Gerity, that is the answer
7 to your question; certainly from the point of view
8 of the Canadian ship owners.
9

10 MR. GERITY: Mr. Fisher, to just run over the
11 form of the deal, if a Lake owner bought some
12 escrow funds from one of your owners at 5 per cent
13 discount, who actually got and pocketed the money
14 that was paid? Did it go to the government? Did
15 the government give anybody anything?

16 MR. FISHER: Evidently it was the government
17 machinery which made it possible for the Lake
18 carriers to acquire this at a discount.

19 MR. GERITY: Supposing I bought \$1 million
20 from you at 5 per cent. Who got the money? Did
21 the government get it?

22 MR. FISHER: You got the use of the \$1
23 million, Mr. Gerity, in the building of a new
24 ship, for which you had only paid 5 per cent
25 less.

26 MR. GERITY: Who got the 5 per cent.

27 MR. FISHER: The 5 per cent. I would
28 assume that the purchaser of the -- the assignor
29 or the assignee got it.
30



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2
3 COMMISSIONER WICKWIRE: Would not the ship
4 owner lose it?

5 MR. FISHER: The original owner of the funds
6 lost them.

7 THE CHAIRMAN: The ship owner had a right
8 to \$1 million in the fund. He sold that right for
9 \$1 million less 5 per cent. The 5 per cent did not
10 go to anyone. It stayed in the purchasers' pocket.

11 MR. GERITY: Mr. Fisher, were not the escrow
12 funds originally moneys deposited from the sale of
13 Canadian government built ships?

14 MR. FISHER: That is correct.

15 MR. GERITY: Speaking of the Vessel Con-
16 struction Assistance Act, from which you say we have
17 received benefits in excess of \$55 million; is that
18 not purely a matter of depreciation? Does it make
19 any difference in the long run if you write off
20 100 per cent of the value, whether you do that in
21 three years or twenty.

22 MR. FISHER: I suggest, Mr. Gerity, that it
23 is a considerable attraction to any owner if he
24 can foresee the future; if his commercial judgment
25 dictates a period of prosperity, where his earnings
26 are large, that if facilities are made available
27 to him to write off in the early years of a new
28 vessel a substantial sum of money, that is a
29 direct benefit and direct encouragement to that
30



1
2 owner to go ahead and build.

3 MR. GERITY: Would he not have to earn that
4 money to write it off in a few years?

5 MR. FISHER: It does not necessarily follow
6 he may write it all off. The point is that he has
7 the privilege of writing it off in the long run if
8 times are good.

9 MR. GERITY: In the long run he does have to
10 depreciate the vessel and he does have to pay taxes
11 on the earnings, does he not?

12 MR. FISHER: True, in the long run he may
13 have to, but you must appreciate from the owners'
14 point of view a bird in the hand is worth two in the
15 bush. He does not know what conditions are going
16 to be 15 years from now. He may have the earnings.
17 He may realize he may have the earnings in a few
18 years after he gets his ship; therefore the
19 advantage of substantially depreciating that ship
20 in its early years, I suggest, is a great advantage
21 to him.

22 MR. GERITY: However, it is not a direct
23 financial assistance by the Government, is it?

24 MR. FISHER: Well, I would not know. I
25 would not care to say. I am not sufficiently
26 an accountant to try and answer that question.
27 The statement which was originally made was
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2
3 ensured by government grant and financed by private
4 enterprise, and I am really suggesting those are
5 two mediums by which the Lake carriers industry on
6 the Great Lakes receive some form of benefit or
7 assistance or even some encouragement, if you will.

8 MR. GERITY: Speaking of this letter from
9 the United Kingdom Chamber of Shipping of 30th
10 August, last year, I would like to read from an
11 extract from Exhibit 12 which contains the opinion
12 of a well known firm of Australian lawyers and ask
13 for your comment; speaking of permits under the
14 Navigation Act:

15 "These permits are in practice
16 "very rigidly restricted. If a permit is
17 "sought, the departmental officer makes
18 "enquiries from the coastal operators and
19 "will not grant a permit unless he is satis-
20 "fied that there will be undue delay in the
21 "carriage if the permit is not granted."

22 Is there anything in that letter that would
23 be helpful?

24 MR. MUNDELL: It seems to me, Mr. Chairman,
25 we have two absentee witnesses making contradictory
26 statements.

27 MR. GERITY: To make a note of it, in the
28 record, I will submit Exhibits 11, 12 and 89,
29 which contains the best information I am able to
30



1
2 get as to the law of Australia.

3 One other question, Mr. Fisher. It is your
4 position that the United Kingdom ship owners are
5 not going to be in a position to engage in this
6 coastal trade. Is that correct? Is that your point
7 four; being limited by manpower.

8 MR. FISHER: That is one of the points we
9 propose to argue later. I wanted to get this evidence
10 on the record. At this point I am not prepared to
11 discuss it.

12 MR. GERITY: I did not have the opportunity
13 of seeing it, I am sorry to say. You suggest that
14 is something which may continue indefinitely, that
15 is what I want to know.

16 MR. FISHER: We have reason to think that
17 would, yes. We will be prepared to argue. I mean
18 if you ask us is it or is it not, I think that is
19 debatable and part of the argument from the point
20 of view of this evidence we have submitted is
21 there has been a relatively static position of
22 some of the United Kingdom marine fleet over the
23 past few years --

24 MR. GERITY: May I ask if they had any
25 trouble in taking over and manning the ships
26 belonging to your association?

27 MR. FISHER: We had considerable difficulty.

28 MR. GERITY: Seventy-seven of which were
29
30



1
2 transferred into United Kingdom --

3 MR. FISHER: I made that point in my earlier
4 evidence, Mr. Gerity, that we have had considerable
5 difficulties. These difficulties have been aggra-
6 vated in the last year, the last 18 months, finding
7 crews to man our ships. I have already put that
8 on the record.

9 MR. GERITY: None of them are laid up for
10 lack of a crew, are they?

11 MR. FISHER: None of them are laid up for lack
12 of a crew but the point is that you have to accept--
13 if you want to go into it -- for instance, take the
14 number of ship engineers employed who are on temporary
15 certificates. Because of the difficulty of finding
16 fully qualified and fully certified men we have to
17 take men who are granted temporary certificates.

18 MR. GERITY: Has that not been the usual
19 post war situation applying in Canada?

20 MR. FISHER: I believe it has to a degree,
21 yes. We have the same problem there.

22 PROF. JACKSON: May I take up the Commis-
23 sion's time with Mr. Fisher for one moment.

24 THE CHAIRMAN: Yes.

25 PROF. JACKSON: Mr. Fisher, there are 35
26 figures on this page which is headed "Table
27 showing decline in the size of the merchant marine
28
29
30



1
2 of Great Britain and Northern Ireland relative to
3 world shipping". The word "showing" is I think the
4 most important word on the page. I am sorry if I
5 seem to ask you to repeat but I do not want to read
6 the record. What would you say this table shows?

7 MR. FISHER: In our opinion this table shows
8 that there is a relatively top level at which the
9 merchant marine of Great Britain and Northern
10 Ireland can reach. We suggest that is the point,
11 comparing it between the total number of ships engaged
12 in world trade which, as you know from the table,
13 has increased substantially --. Let us take the
14 second table 1923 to 1953 -- yet there has been a
15 decline in total gross tonnage of that portion owned
16 and operated out of Great Britain.

17 PROF. JACKSON: Do you mean a decline in
18 total tonnage or in percentage?

19 MR. FISHER: Both a decline in total tonnage
20 and in percentage.

21 PROF. JACKSON: I took down as well as I
22 could a moment ago a sentence which you used. You
23 said there has been a relatively static position
24 in the relative importance of the United Kingdom
25 marine fleet.

26 Now, talking about the relative importance
27 of the United Kingdom merchant fleet to the rest
28
29
30



1
2 of the world, your figures point towards diminishing
3 percentages in the right-hand column. But could I
4 put this to you; there are two department stores in
5 Ottawa, Murphy Gamble and Ogilvy, both of them I
6 think and hope to be doing very well. Suppose it
7 could be shown one of those stores had had an increase
8 in its business by 25 per cent in a certain period
9 and that the other store had had an increase in its
10 business of 40 per cent in the same period. Would
11 you say that the former of the two stores had gone
12 backwards?

13 MR. FISHER: Well, obviously not.

14 PROF. JACKSON: If you demonstrate triumphantly
15 that the percentage of world shipping which belongs
16 to Great Britain and Northern Ireland has been
17 growing less for a long time, does that even suggest
18 of itself that the merchant marine of Britain is
19 going backwards?
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MR. FISHER: A. It suggests it is and it is a point we are trying to make out of it, that it has not been able to increase in proportion to the total amount of world's business and therefore to suggest that, because a new trade is opened up today, it will be suddenly able to increase itself to take full advantage of that to the exclusion of other people in the trade does not hold water.

The second point, I think, is that the Merchant Marine of the United Kingdom has always been a very important part of her economy and the fact that she has not been able to increase it in proportion to the total increase in world trade suggests to us there must be some very important reason why. It is the apparent difficulty of top-level limitations. We suggest, out of our own experience, those limitations are limitations in manpower for ships operating out of the United Kingdom.

THE CHAIRMAN: They use very little of that manpower born in the United Kingdom do they not? They use a very large percentage of Orientals for a crew.

MR. FISHER: No, that does not follow necessarily. We are concerned primarily with the skilled personnel on a ship, that is the mates and engineers. Under the Marine Shipping Act of Great Britain, and similarly in Canada, those skilled men employed on British ships must



1 be British subjects.

2 THE CHAIRMAN: British subjects, but
3 British subjects from other than the United King-
4 dom.

5 MR. FISHER: It could be in respect of
6 foreign personnel, yes, they do. However, in res-
7 spect to trading in this country, and certainly
8 our own experience has been they require not only
9 British subjects, but certainly Nordics, most of
10 whom are born in the United Kingdom.

11 THE CHAIRMAN: What you require, do you
12 mean, or the British shipowner requires?

13 MR. FISHER: I suggest in our own experience
14 having our ships under United Kingdom registry
15 and other British shipowners operating in the
16 Canadian trade find that the most desirable type
17 certainly is the Britishers themselves born in
18 the British Isles or Nordic types. Foreigners,
19 the Laskars and so on, are not adaptable to
20 these conditions, the operating conditions of
21 this country.

22 PROF. JACKSON: Let us concede that you
23 have demonstrated triumphantly the fact that
24 the merchant tonnage of the world has grown
25 faster than the merchant tonnage of Britain,
26 which is the same as a certain store may grow
27 faster than the sales of another store, though
28 both stores were doing very well and both stores
29 were expanding their business. Surely what
30 you are concerned with is to demonstrate not



1 something about the relative importance of British
2 shipping, but something about the actual volume
3 of British shipping as affecting the capacity
4 of British shipping to do business of various
5 kinds in various places.

6 In other words, I very respectfully suggest
7 that the percentage figures, interesting as they
8 are, are not relevant to the subject under dis-
9 cussion this morning; and that the relative
10 figures are actually figures of tonnage which
11 represent Britain's capacity at a given time to
12 carry cargoes somewhere.

13 Now, Lloyd's Registry is very copious in
14 its ---

15 COMMISSIONER WICKWIRE: What was the
16 answer to that question of yours, Mr. Jackson?
17 I thought you were asking Mr. Fisher some ques-
18 tions.

19 PROF. JACKSON: I asked Mr. Fisher a
20 question ---

21 COMMISSIONER WICKWIRE: I didn't hear
22 his answer.

23 PROF. JACKSON: His answer seemed to
24 refer totally to the percentage of the total of
25 growing shipping of the world which was
26 British, and having got that answer from him
27 I am now suggesting to him that the relevant
28 percentage is no more relevant than the rele-
29 vant position of Simpson's to Eaton's.

30 COMMISSIONER WICKWIRE: I didn't hear



1 his answer.

2 MR. FISHER: I did not answer it. I
3 think it is debatable.

4 DR. E.C. HOPE: Could I make one comment?
5 The second table, which seems to be the important
6 one, 1,000 tons gross and over, Great Britain has
7 lost tons and the world has gone up. That is
8 not relative, that is actual. That seems to be
9 the answer. It is true the first table does not
10 show that, but that is really ships including
11 100 tonners.

12 COMMISSIONER BELANGER: But the reason
13 might be the shrinkage of tonnage during the war,
14 but we must have figures from 1945 to 1953 in
15 order to draw the proper conclusions.

16 THE CHAIRMAN: No.

17 DR. HOPE: 1935 was pre-war and 1953 is
18 post-war. The British have gone down in gross
19 tons and the world has gone up. That is not
20 a relative figure, that is an actual figure.
21 I think Mr. Fisher's point has got some signi-
22 ficance to it.

23 COMMISSIONER BELANGER: But to be more
24 significant we should have the figures from
25 1945 to 1953 in order to see what happened
26 since the war.

27 MR. MUNDELL: It seems to me this is
28 getting into argument.

29 THE CHAIRMAN: I would think so.

30 PROF. JACKSON: May I nevertheless ask



1 a question about facts. I am concerned only with
2 facts here, and I would like to be able to ask
3 Mr. Fisher why he selected from the copious
4 figures produced by Lloyd's the figures for four
5 years, the years from 1908, 1923, 1938 and 1953,
6 and why, if he was going to be so generous, other-
7 wise, he left out the tanker tonnage?

8 MR. FISHER: You will notice they are at
9 15-year intervals, Dr. Jackson. You could take
10 10 years or 5 years. We just took 15. The
11 reason why we left out the tanker tonnage is
12 that it has grown very substantially since the
13 war naturally but I do not think that tanker ton-
14 nage is relevant to the point we are trying to
15 make.

16 PROF. JACKSON: Would you be in a position
17 to say the British have built less of other
18 tonnage in order to build more tanker tonnage
19 because they have found the earning power of the
20 tanker tonnage was rather attractive?

21 MR. FISHER: I do not know that.

22 PROF. JACKSON: Now, sir, the suggestion
23 has already been put by Mr. Belanger that the
24 war may have had something to do with the
25 vagaries of these figures. We have 1908, pre-
26 World War I, and 1923, post-World War I.

27 Would you admit, Mr. Fisher, a great
28 many ships were sunk in World War I?

29 MR. FISHER: I think that is true, ob-
30 viously.



1 PROF. JACKSON: It was necessary to replace
2 them after World War I.

3 MR. FISHER: Yes.

4 PROF. JACKSON: It took some years to re-
5 place them. Then Britain, having rebuilt her
6 Merchant Marine, as she rebuilt it between the
7 wars, a great many ships were sunk in World War II.

8 MR. FISHER: That is true.

9 PROF. JACKSON: It was necessary to replace
10 them and to replace them on that tremendous scale
11 must have taken a considerable period of time, and
12 that replacement may not be complete; or have you
13 evidence to show it is complete?

14 MR. FISHER: I have no evidence to show
15 it is complete, no. I took a basis of 1938 and
16 then dropped back 15 years to 1923, which was
17 approximately 5 years after the conclusion of
18 hostilities in the First World War. We then took
19 1938 on the assumption the British Merchant Marine
20 had grown up to its normal position to take
21 care of these war losses.

22 I then took 1953, which is again 6 years,
23 probably 7, after the conclusion of hostilities
24 of the Second World War, and showed the growth
25 at that point. I have tried to draw those
26 figures from points which would be relative
27 to the condition that applied.

28 THE CHAIRMAN: Of course, it was not
29 only the United Kingdom shipping that was sunk
30 during the war. There was plenty of Norwegian



1 shipping sunk.

2 PROF. JACKSON: Was there any reason
3 against taking the complete record of Lloyd's
4 Registry year by year from 1908 onwards and taking
5 the actual figures in tonnage from each of the war's
6 end and the rate of replacement, and having got
7 to that position, ascertained for the first time
8 whether a conclusion, which does not allow in
9 those figures, really might be entertained?

10 MR. FISHER: Unfortunately, Lloyd's did
11 not give figures during the war years. They do
12 not show the production at all. Lloyd's discon-
13 tinued producing any figures of Merchant shipping
14 tonnage during the war years.

15 PROF. JACKSON: That I know, thank you,
16 Mr. Fisher. They do give a complete series of
17 figures in peacetime of the amount sunk during
18 the war. I do not think there is any security
19 reason which prevents Lloyd's from telling
20 you at the end of the war how many ships are
21 still registered. Do you not think we might,
22 perhaps, call on all the figures which Lloyd's
23 can produce to show ourselves for the first
24 time whether they show that the British Merchant
25 Marine has shrunk or not?

26
27 (page 5185 follows)
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2 MR. FISHER: I think those figures would be
3 possible -- if the Commission feels this is in-
4 complete I would be very glad to file with them --
5 I have a table of Lloyd's Registry with me. If it
6 would be of any help I would be very glad to file
7 Lloyd's table.

8 PROF. JACKSON: One way, may I suggest, sir,
9 would be if we turn to the reports of the European
10 Economic Recovery publication on Maritime trans-
11 portation, it is very very easy to secure a copy in
12 Ottawa and any other place we should get complete
13 figures and be able to see what the tonnages are.

14 THE CHAIRMAN: Are there any further questions?
15 Furness Withy.

16 MR. MUNDELL: The Furness Withy Company, Mr.
17 Halley and Mr. Rees.

18
19
20 ADDITIONAL SUBMISSION BY FURNESS WITHY
21 COMPANY.

22 ---Mr. Halley and Mr. Rees appearing.

23 MR. HALLEY: Mr. Chairman and Commissioners
24 when we filed notice with the secretary of this
25 Commission of our intention to give rebuttal
26 evidence, of Furness Withy's intention to give
27 rebuttal and supplemental evidence we felt that
28 the evidence we would give would be substantially
29
30



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2 longer than that with which we now intend to proceed.
3 After reviewing the transcript in full and reviewing
4 the position I decided that our case which was
5 presented in St. John's, Newfoundland was fully
6 disclosed and did not need any supplemental evidence.
7 As to the rebuttal evidence we decided most of that
8 could better be handled in our argument on Friday
9 but that there was just one point on which rebuttal
10 evidence may be given and Mr. Rees, the resident
11 director in charge of Canadian operations is here
12 this morning to rebutt that evidence.
13

14 The evidence to be rebutted is contained in
15 Volume XI of the Montreal Sessions date commencing
16 October 7, 1955 at page 3625 in the submission of
17 the Quebec Federation of Labour presented by Mr. R.
18 Provost at page 3625. I quote at line 23 to 26:

19 "The Manchester Line Limited employs
20 "three specially built lake ships and while
21 "their voyages originate in the United
22 "Kingdom they pick up trans shipments at
23 "Canadian ports for Canadian ports."

24 That is the only evidence we wish to rebutt
25 this morning as Mr. Rees is here. We have prepared
26 no notice of this rebuttal but Mr. Rees is here
27 now to give that evidence himself.

28 THE CHAIRMAN: Yes, Mr. Rees.

29 MR. REES: Mr. Chairman, that statement of
30



1
2 Mr. Provost's is completely incorrect. Ships of the
3 liner companies which operate in the Great Lakes
4 have not in three years that they have been operating
5 carried one pound of cargo between two Canadian
6 ports.

7 MR. HALLEY: That, Mr. Chairman, is the only
8 evidence we have to rebutt this morning.

9 THE CHAIRMAN: Then you say they carry from
10 the United Kingdom to a Great Lake port and from a
11 Great Lake port to the United Kingdom only?

12 MR. REES: Yes. Well, on the return voyage,
13 Mr. Chairman, they load in the Lakes to fourteen
14 feet three draft then they complete that in the
15 lower St. Lawrence ports.

16 THE CHAIRMAN: Are there any further questions
17 on that?

18 MR. GERITY: I would like to ask one question
19 just as a matter of interest. Has Furness Withy
20 got a licence to come into Canadian ports for
21 Manchester liners?

22 MR. REES: We do not need one. We do not
23 trade between Canadian ports so why do we need
24 a licence?

25 MR. GERITY: I merely asked if you had a
26 licence. That is all, Mr. Rees.

27 THE CHAIRMAN: Have you answered that?
28 You said you did not need one because you are
29
30



1
2 not trading. Have you a licence?

3 MR. REES: As a matter of fact, Mr. Chairman,
4 on some of the deep sea Manchester ships we have
5 got licenses but not on the Lake ships. There again
6 they do not trade in the coastwise trade as a
7 regular thing.

8 THE CHAIRMAN: It seems that we have over-
9 estimated the time required by the witnesses but we
10 will have to adjourn until 10 o'clock tomorrow
11 morning.

12
13 ---Whereupon the Commission adjourned at 1.05 p.m.
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ROYAL COMMISSION ON COASTING TRADE

VOLUME 17

PART 5

Report of Ottawa Sittings
commencing January 4, 1956
(for rebuttal or supplementary
evidence)

pp. 5114 to 5353





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E R R A T A

Page 5098 lines 29 and 30:

"After very considerable difficulty"

Should read:

"In very considerable detail".

Page 5123 line 4:

"Exhibit 16"

Should read:

"Exhibit 197".

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2 THURSDAY, JANUARY 5, 1956

3 ---Upon resuming at 10.10 A.M.
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5 THE CHAIRMAN: Yes, Mr. Gerin-Lajoie.
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7 MR. GERIN-LAJOIE: We have listed to be
8 heard this morning on rebuttal evidence Canada
9 Steamship Lines Limited, British Columbia Lumber
10 Manufacturers, the St. Lawrence Ship Owners
11 Association, the Government of Newfoundland and
12 Kent Lines Limited including Brunswick Motors
13 Limited and Irving Pulp and Paper Limited. The
14 first is Canada Steamship Lines Limited and I under-
15 stand Mr. Lowery is appearing on behalf of the
16 company.

17 THE CHAIRMAN: Yes, Mr. Lowery?

18 MR. LOWERY: Mr. Chairman and Commissioners,
19 I have for submission certain additional factual
20 evidence which we feel could be of assistance to
21 the Commission together with certain factual
22 rebuttal evidence. So far as I am aware I have
23 no argument or opinions to present this morning
24 because I understand this session is one of
25 presentation of facts rather than argument. Some
26 of the submissions I am making have been pre-
27 pared by Mr. McLagan who apologizes for not being
28 here because he had to be at the memorial service
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1
2 for Sir James Dunn at the Soo.

3 The first exhibit which I would like to
4 tender as supplementary evidence is regarding
5 vessel operating cost. When Exhibits Nos. 200,
6 201 and 202 were submitted by Canada Steamship
7 Lines Limited showing the relative cost of operating
8 various types of vessels from the head of the Lakes
9 to Kingston carrying wheat, we were requested to
10 calculate and submit similar particulars assuming
11 the vessel "T.R. McLagan" was also employed on
12 this route.

13 This has been done and we have pleasure in
14 informing the Commission as follows.

15 The following data may be filled in under
16 the appropriate headings on Exhibit 200. I do not
17 think I need take the time of the Commission to
18 read the various headings, they all fit precisely
19 into Exhibit 200. From the foregoing it can be
20 seen that the cost per bushel is about four per
21 cent less than that for the Thunder Bay class,
22 but it is still in excess of all U.K. vessels
23 considered in this analysis. We would like to
24 again draw to the attention of the Commission
25 that the "T.R. McLagan" is probably the best and
26 most efficient ship in service on the Great Lakes.
27 We doubt even for the future for many, many years
28 to come can produce better or more efficient
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2 ships than the "T.R. McLagan". It is really the
3 peak of performance for Great Lakes vessels whereas
4 almost every present deep-sea vessel with which
5 comparison is made is not the end of the line and
6 there are many places for improvement.

7 MR. GERIN-LAJOIE: If you will allow me, I
8 believe this document should be given a number as
9 an exhibit, Exhibit 222. It is entitled, "Sub-
10 mission by Canada Steamship Lines Limited, Vessel
11 Operating Cost". It is a supplementary exhibit
12 to number 200.

13
14 ---EXHIBIT NO. 222: Document dated January 3, 1956
15 and headed, "Submission by
16 Canada Steamship Lines Limited,
Vessel Operating Cost."

17 MR. LOWERY: Another matter about which you
18 gentlemen asked us to give you further dates was on
19 the question of earnings for winter storage by
20 vessels and the position is that if grain sales lag
21 during the summer and it is combined with unusually
22 large stocks so that there is a shortage of winter
23 elevator storage space, it is not available at the
24 close of navigation, these Upper Lake vessels could
25 be called upon to provide grain storage accom-
26 modation during the winter months. The rates for
27 this service are subject to fluctuation but during
28 1951, 1952, 1953 and 1954 a net revenue of about
29 2-3/4 cents per bushel stored was earned by each
30



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2 of the Canada Steamship Line ships which actually
3 provide winter storage of Upper Lake vessels, of
4 course, are not consistently used for winter storage
5 and during the years referred to, 64 per cent, 68
6 per cent, 69 per cent and 84 per cent respectively
7 of the total Canada Steamship Line Upper Lakes
8 fleet was able to earn winter revenue for this
9 service. A vessel of the Thunder Bay class,
10 having a capacity of 623,000 bushels would be
11 capable of producing a net revenue of about \$17,000
12 during the period of closed navigation but in view
13 of the fact that this source of revenue is not
14 available every year for various reasons, first of
15 all, the grain is not necessarily available;
16 secondly, the ships are not necessarily in position
17 and thirdly, they require dry docking repairs and
18 so on in the winter. It appears that not more than
19 70 per cent of the maximum potential can be con-
20 sidered as a normal load, in the case of the
21 Thunder Bay, therefore, approximately 32,000 tons
22 would be the average anticipated winter earnings
23 for a vessel of that type. If this is related
24 to earnings of a similar vessel, a smaller vessel
25 as shown on Exhibit 200 it can be seen that the
26 winter grain storage revenue would increase by
27 that revenue, by 1.3 per cent. I feel that that
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1
2 should indicate that whilst we are delighted to
3 get winter storage it is not a great factor in the
4 income of the ships.

5 Then, I would like to tender another exhibit
6 which I imagine will be 223.

7
8 ---EXHIBIT NO. 223: Graph showing clearance of
9 grain out of Lakehead by water
navigation season 1955.

10 MR. LOWERY: In the submission of the Province
11 of Manitoba No. B-77, paragraph 11-D, great stress
12 is laid on the fact that the prairie provinces are
13 vitally interested in preventing any changes in
14 legislature effecting certain coastal shipping which
15 would prevent freight rates from reflecting the full
16 benefits of the seaway enlargement. Canada Steamship
17 Lines has consistently taken a view that consistent
18 availability of ships is more important than any
19 fractional saving that the use of U.K. ships may
20 bring about. We refer you to the Canada Steamship
21 Lines brief which shows that a consistent lowering
22 of freight rates will not necessarily be achieved
23 by the use of U.K. ships and we also refer the
24 Commissioners to our Exhibits No. 8 and 9 which
25 show shipments of grain from the Lakehead. At
26 this time we submit today as Exhibit 223 a
27 graph showing grain shipments during the calendar
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1
2 year just closed since this year is fresh in our
3 memory and will carry more weight than dealing with
4 years long past. This graph has been compiled
5 from the following data, Lakehead clearances by
6 water 1955, the source of the information is the
7 Lake Shippers Clearance Association and according
8 to their information we have had between the first
9 of April and the 30th of April, 26 million bushels
10 shipped. During May, 82 million, June 117 million,
11 July 142 million -- I will start again and read the
12 cumulative dates down by months, from April 21 to
13 the 30th, 26 million; during the month of May,
14 56 million; during the month of June, 35 million,
15 the month of July, 26 million, August 18 million,
16 September 16 million, October 25 million, November
17 38 million and from the period December 1st to 15th,
18 25 million. The average daily clearance for
19 season was 1,110,000 bushels.

20 This graph on the above data show that some
21 62 million bushels were shipped out between
22 November 1st and December 15, 1955 and some 25
23 million between December 1st and December 15th.
24 Further, at the beginning of the navigation
25 season it can be seen that from April 21st to
26 the end of May, a period of only some 41 days,
27 82 million bushels were shipped from the head of
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2 Lakes by water. If Upper Lakers had not been ready
3 and close at hand we seriously doubt that these
4 large movements at the beginning and the end of
5 the season could have been handled if complete
6 reliance was placed on U.K. ships, particularly
7 when it is remembered that the season of navigation
8 to the head of the Lakes for ocean vessels is
9 necessarily considered shorter than that for lake
10 vessels. For instance, between December 1st
11 and December 15th, as I have stated, there were
12 25 million bushels taken out of the head of the
13 Lakes, ocean shipping could not have proceeded on
14 its way if it had been at the head of the Lakes
15 on December 15th because the river St. Lawrence is
16 closed.

17 In the crop year of 1953 to 1954, the
18 year for which the Dominion Bureau of Statistics
19 data is available, the stock in the Lakehead
20 elevators at the close of navigation amounted to
21 43 million bushels and by March had risen to
22 about 81 million bushels. In other words, almost
23 40 million bushels was moved into the elevators
24 during the winter season because of the avail-
25 ability of lake shipping. The Lakehead stocks
26 were reduced greatly in the elevators at the
27 close of navigation, thereby permitting grain
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2 to move from the interior during the winter to the
3 Lakehead elevators ready to load into ships at the
4 opening of navigation. It should also be borne
5 in mind that if this winter rail movement could not
6 take place we doubt if sufficient rail cars could
7 be assembled and handled at the opening of navi-
8 gation to transport grain in order to supply the
9 ships with the large quantities of grain to be
10 moved at the beginning of navigation.

11 The heavy Fall movement of grain from Fort
12 William down the Lakes is the result of the following
13 reasons:

14 (a) Carrying Charges - Buyers of Canadian
15 grains, both for domestic and export, taking in
16 their winter supplies buy and ship grain as late
17 as possible in the open shipping season to minimize
18 the cost of storage and interest in holding the
19 grain at destination until it is needed for actual
20 consumption.

21 (b) Availability of Grain - Some years
22 certain grades of grain, even certain grains, dis-
23 appear from commercial positions and are not
24 available until new crop supplies are in from
25 harvest and available at the Lakehead in late
26 September or early October. For example, this
27 year Malt Type barley was not available until
28 new crop supplies, and thus the heavy movement
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1
2 this Fall to Lake Michigan ports, and Flax to
3 Montreal, similarly.

4 (c) Prices of Grain - The greater the supply
5 of grain at the Lakehead, the lower the price.
6 Supplies are usually higher some time after the new
7 crop is harvested and prices usually lower all
8 other things being equal.

9 (d) Eastern Elevators and Owners of Great
10 Lakes Ships - There is a filling out of storage
11 facilities for the earning of storage during the
12 winter months, both into elevators and into ships.

13 Now, this supplementary evidence is to again
14 highlight the fact that the times at which the grain
15 movement is needed most, that is at the beginning
16 and end of the navigation season, are the times at
17 which it would be most difficult for ocean ships
18 to give service. Just as an example of the sort
19 of thing that can happen, I have some extracts I
20 would like to read from our agents in London who
21 are not writing for this purpose but who write us
22 reports every month on the situation in Britain
23 and I have somewhere a typical statement. These
24 are extracts from reports which we receive from
25 our agents in London, December 19 and they
26 stated:

27 "It is interesting to note that
28 "Australia, despite the large supply of
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2 "wheat available for export is never ever
3 "earlier than April shipment owing to a
4 "scarcity of freight."

5
6 Another quotation is:

7 "Australia has to attract ships
8 "from East Africa, Colombo and Japan and
9 "fixtures this week (December 16th/55) have
10 "shown advances of 17 shillings sixpence per
11 "ton on wheat over what was paid last week
12 "(this would be an advance of 6-1/2 cents
13 "per bushel Canadian funds)."

14
15 Another quotation from this letter:

16 "The coming into the market by
17 "River Plate shippers has had a big impact
18 "on the market and as there is no longer
19 "any Argentine coal business from this
20 "side (United Kingdom) it has meant tonnage
21 "in ballast paying as much as 125 shillings
22 "up to 132/6 according to cubic capacity."

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28 (Page 5199 follows)
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2 And now, the only point of mentioning these
3 things is to point out that at present the people
4 shipping Canadian grain have been able to estimate
5 within very close limits how much it is going to
6 cost them, how much it is going to cost to get their
7 grain to Montreal. What I have read with respect
8 to the Australian wheat will certainly apply, we
9 feel, in the future if world shipping is to collect
10 wheat and there would be considerable fluctuation.

11 The next statement I would like to make and
12 I have copies of this --

13 MR. GERIN-LAJOIE: This would be Exhibit No.
14 224 and is entitled "Submission by Canada Steamship
15 Lines Limited."

16
17 ---EXHIBIT NO. 224: Document dated January 3, 1956
18 and headed Submission by Canada
Steamship Lines Limited.

19 MR. GERIN-LAJOIE: Is this supplementary
20 evidence to a particular exhibit?

21 MR. LOWERY: Yes, it is supplementary to
22 my comments on the Manitoba Transportation Com-
23 mission to some extent. I do not know whether
24 the Commission consider this necessary or not
25 but I am trying to guess what you require to
26 help you arrive at the real conclusion.
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1
2 EXHIBIT NO. 224

3
4 January 3, 1956

5 ROYAL COMMISSION ON THE COASTING TRADE

6 SUBMISSION BY CANADA STEAMSHIP LINES LIMITED

7 Tramp Ship Sizes and Capacities

8
9 When giving evidence for Canada Steamship
10 Lines Limited in Ottawa we felt that the Commissioners
11 were somewhat doubtful about the ability of the
12 8,900 ton cargo vessel mentioned by the Manitoba
13 Transportation Commission to carry 310,000 bushels
14 at 25' 6" draft.

15 In this connection the writer would like
16 to add the following facts:-

17 1. The writer has had personal design and
18 construction experience of eight (8) shelter decker
19 cargo vessels, having total long ton deadweight
20 carrying capacities varying between 8,554 tons and
21 9,533 tons.

22 The load draft of these eight (8) vessels
23 varied between 24' 2-3/4" and 25' 9-1/2" and the
24 total bushel capacity of the vessels, so far as
25 space is concerned, varied between 377,000 bushels
26 and 452,000 bushels.

27 2. In the immediate post war years three
28 (3) cargo vessels were constructed in Canada for
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4 the Canadian National Steamships. These ships are
5 still in service and are the "CANADIAN CONSTRUCTION",
6 the "CANADIAN CHALLENGER" and the "CANADIAN CRUISER".

7 These vessels have a total deadweight of
8 7,500 long tons at 25' 7-1/2" draft and although
9 they are smaller than the vessel mentioned by the
10 Manitoba Transportation Commission they have a
11 total grain cubic of some 430,000 cu. ft., which
12 means that these vessels have space for about
13 345,000 bushels.

14 They cannot, of course, carry 345,000 bushels
15 because 345,000 bushels would weigh approximately
16 9,200 tons.

17 It is trusted that the foregoing will help
18 to establish quite definitely the fact that a
19 normal vessel which can carry 8,900 tons total
20 deadweight at 25' 6" draft should be perfectly
21 capable, both from a weight and space point of
22 view, to carry 310,000 bushels of wheat.

23 3. In giving evidence previously the
24 writer has made reference to the increase in size
25 of tramp ships in recent years and would like to
26 offer the following evidence in this connection.

27 In the December 1955 editorial of the
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4 Technical Journal "The Motor Ship" under the
5 heading "Modern Standard Tramp Ship" the following
6 extracts may be of interest:

7 "It will be recalled that in the last
8 "two months of 1954 about 90 motor cargo
9 "ships were ordered by foreign owners,
10 "mostly Norwegian, in European shipyards --
11 "for the most part German -- and that practically
12 "all of these ranged between 10,500 tons and
13 "11,000 tons deadweight as open shelterdeckers,
14 "with scantlings enabling them to load 12,300
15 "to 13,000 tons as closed shelterdeckers".

16 "The majority of the vessels are
17 "designed to be operated either as closed or
18 "open shelterdeckers, according to circum-
19 "stances, the trial trip speed fully laden
20 "being 14-3/4 - 15 knots and the daily con-
21 "sumption of fuel on regular service about
22 "20 tons. In practically all cases the
23 "employment of boiler oil is specified.
24 "Over two-thirds of the ships enumerated
25 "are for Norwegian owners, and it seems
26 "probable that during the course of the
27 "next 12 months at least 50 foreign dry
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"cargo vessels designed for a deadweight
"of 10,520/12,500 tons and a service speed
"of 14-1¹/₂ knots, will be placed in
"service."

(Page 5215 follows)



Take B
RJY
Jan. 5~~7~~⁴56

1 This article is really an article in a
2 British shipbuilding magazine warning British ship
3 owners to wake up because foreigners are doing
4 this, but my purpose in presenting it to the Com-
5 mission is to show them that ships are increasing
6 in size and that we can no longer think of small
7 ships as being typical.

8 I would also like to point out the comment
9 that in practically all cases the employment of
10 boiler oil is specified, and remind the Commission-
11 ers that in making the analysis on Exhibit 200
12 I specifically mentioned that although ships
13 could burn boiler oil I have used diesel oil, and
14 it could have been approximately halved had I
15 used boiler oil as the fuel in the ships.

16 Once more dealing with the average size of
17 vessels under construction, I would like to tender
18 as an exhibit Lloyd's Register Shipbuilding Returns
19 for the quarter ended 30th June, 1955, which is
20 the latest period for which there are any official
21 statistics, and I would like to quote from this
22 dealing with the size of steamships and motor-
23 ships under construction in June, 1955, and ignor-
24 ing all vessels under 1,000 gross tons as really
25 not being ships within the meaning of our
26 consideration here. If we ignore those we
27 find that 51% of all ships under construction
28 had a gross tonnage exceeding 6,000, and, of
29 course, with a gross tonnage exceeding 6,000
30 that would correspond normally to a deadweight



1 of about 10,000 tons, because gross tonnage and
2 deadweight have no direct relationship, but the
3 general world-wide comparison would be about 1.6
4 to 1. So that in 1955 51% of all ships under
5 construction over 1,000 tons were over 10,000 tons
6 deadweight, and if we deal with the tonnage of
7 ships under construction we find that 83% of the
8 tonnage was over 10,000 tons deadweight. You
9 cannot derive those figures directly from these
10 tables; you must do a little analysis to find
11 them, but that is where I got them from.

12 MR. GERIN-LAJOIE: Mr. Chairman, I believe
13 this should be filed as an exhibit bearing number
14 225, entitled Lloyd's Register Shipbuilding Returns
15 dated June, 1955 for the quarter ended June 30th,
16 1955.

17 ---EXHIBIT NO. 225: Lloyd's Register Shipbuilding
18 Returns dated June, 1955 for
19 the quarter ended June 30th,
1955.

20 MR. LOWERY: I might remind the Commis-
21 sioners that although that is Lloyd's Return it
22 is not confined to Lloyd's vessels. It is all
23 vessels in the world.

24 I should also like to submit as an exhibit
25 Lloyd's Register of Shipping Annual Summary of
26 Merchant Ships launched in the world during the
27 year 1954, which, of course, is the last com-
28 plete year.

29 MR. GERIN-LAJOIE: This document should
30



1 be number 226.

2
3 ---EXHIBIT NO. 226: Lloyd's Register Annual
4 Summary of Merchant Ships
5 launched in the world during
6 the year 1954.

7 MR. LOWERY: I do not intend to elaborate
8 on the document. I think the Commissioners can
9 well glean whatever information they desire from
10 it.

11 I would again remind you that all tonnages
12 are gross tonnages in Lloyd's Returns, whereas
13 we have been talking about deadweight tonnage,
14 and the deadweight tonnage is almost twice the
15 gross tonnage -- certainly 1.6 to 1 $\frac{3}{4}$.

16 The main thing I want to point out here is
17 that in 1952 Great Britain constructed about 29%
18 of all the world's tonnage; in 1953 about 26%; in
19 1954 about 27%; and for 1955 this Return states
20 that apart from those countries excluded -- places
21 like Soviet Russia -- there was under construc-
22 tion in the world, that is in June, 1955, 1,349
23 steamships and motorships of 6,100,534 tons gross,
24 of which 34.1% is being built in Great Britain
25 and Northern Ireland. I merely refer to those
26 factors to show that Great Britain is certainly
27 getting and maintaining her share of ship con-
28 struction. These tables will show that through-
29 out the past 10 years Great Britain has produced
30 between 1,100,000 and 1,500,000 tons of shipping
per year.



1 The other point I would like to make, now
2 speaking to some extent as a shipbuilder, is that
3 the small amount of shipbuilding that would
4 help the Canadian owner would be a drop in the
5 vast ocean of the output of the British shipyards.
6 I understand that yesterday the Shipbuilders pro-
7 duced a photostat of a letter from the Atlantic
8 Shipbuilding Company dealing with ship deliveries,
9 and since that letter was sent to me, Mr. Jackson
10 suggested I might clarify certain matters.

11 MR. GERIN-LAJOIE: This is Exhibit No.
12 219 Mr. Lowery is referring to.

13 MR. LOWERY: Yes, Exhibit No. 219, and I
14 will be happy to put in the original if it is of
15 any value. This letter, you will notice, is not
16 specifically addressed to me. It is a circular
17 letter sent out by this company. It has no
18 date on it, but it had the date stamp when it
19 was received at Canada Steamship Lines, December
20 12, 1955 on the back, and I had it repeated
21 on the front for the purpose of the photostating
22 so that you could see it, but this letter was
23 not the result of any request for data or
24 information. It is obviously a circular letter
25 sent to many people and, of course, the point
26 in this letter from the point of view of the
27 shipbuilder is that we no longer appear to have
28 any great advantage in offering quick deliver-
29 ies for vessels since this shipyard is offering
30 to build small vessels in ten months and larger



1 vessels in fifteen months.

2 I think the only other matter on which I
3 would like to offer some personal evidence is
4 with regard to the statement in the Province of
5 Manitoba submission, B-77.

6 19(f). This paragraph states that Great
7 Lakes shipyards can have the advantage, and pre-
8 sumably also infers that Great Lakes shipowners
9 can have the advantage --

10 "Insofar as the Maritime Commission
11 "permits the use of escrow funds held
12 "under the tonnage replacement plan ad-
13 "ministered by the Commission for con-
14 "struction in Great Lakes shipyards, and
15 "insofar as these funds are available at
16 "a discount, the effective cost of building
17 " a new ship is reduced".

18 The use of escrow funds, or a proportion of es-
19 crow funds for the construction of Lake vessels
20 was allowed at one time but has been discontinued
21 for, I would say from memory, approximately 3
22 years, and I can personally testify to the fact
23 that in the past 3 years Canada Steamship Lines
24 have made many requests to the Canadian Maritime
25 Commission to be allowed to use escrow funds
26 to build Lake vessels in Canada. We have, in
27 fact, had several potential shipowners who
28 have said, "If you can use escrow funds and get
29 the price of a ship brought down by so many
30 dollars, we will give you an order", and I have



1 gone to Ottawa with that special plea, and have
2 been told that the escrow funds were not available
3 for the use of Great Lakes ships. So that the
4 inference of the Province of Manitoba that the
5 Great Lakes shipyards, which after all can only
6 build big vessels for use on the Great Lakes, and
7 Great Lakes ship operators can get their vessels
8 by escrow funds and have a reduced purchase price
9 is inaccurate.

10 I think, Mr. Chairman, that concludes the
11 facts I wish to present at this time.

12 THE CHAIRMAN: You mean at the same time
13 the use of escrow funds is allowed for the building
14 of ocean-going ships in foreign shipyards?

15 MR. LOWERY: Yes, sir. I also can say
16 that for some reason which is not thoroughly
17 understood by us the use of escrow funds for
18 tankers, ocean-going tankers, has been denied, and
19 at present it is only allowed for the use in
20 construction of coean-going dry cargo vessels.

21 COMMISSIONER BELANGER: Did you say
22 that no escrow funds have been used in the last
23 3 years to build Lake vessels?

24 MR. LOWERY: Lake vessels. Not only
25 has none been used, but none has been permitted,
26 because we have been asking with increasing fre-
27 quency to get it.

28 COMMISSIONER BELANGER: But it has been
29 used previously?

30 MR. LOWERY: To a proportion. Prior to



1 to buy
2 3 years ago one was allowed/-- and I am quoting
3 from memory -- about 30% of the cost of a Great
4 Lakes vessel using escrow funds. So, if you
5 bought them at 9% discount you ended up with
6 your ship being 3% cheaper; but that has now been
7 discontinued. Escrow funds were used in the
8 construction of the Coverdale and the Hochelaga,
9 or one of them; but the later ships, including
10 the Fort Henry and others, no escrow funds.

11 THE CHAIRMAN: Does that apply to bulk
12 cargoes as well as package cargoes? You mention-
13 ed the Fort Henry, which may be in a different
14 class.

15 MR. LOWERY: No. The Maritime Commission,
16 although the regulation may not be too clear,
17 have in recent years taken the view that the use
18 of escrow funds is for the dry cargo ocean-going
19 vessels; not even, as I say, for oil tankers
20 of which vessels Canada has pitifully few. We
21 have a great fleet and a great navy, and very
22 few oilers to service them.

23 Mr. Jackson has here a report of the Mari-
24 time Commission, and evidently the date on which
25 they made the change was November, 1953.

26 I think that is all I have to offer.

27 MR. GERIN-LAJOIE: From what report
28 have you just been quoting?

29 MR. LOWERY: Mr. Jackson says this was
30 put in evidence yesterday, and therefore I
31 would rather not report on it at all because I



1 haven't read it. I would like to ignore that if
2 it was dealt with yesterday.

3 MR. GERIN-LAJOIE: The evidence just
4 given by Mr. Lowery, quoted to the extent he did
5 quote, is from the eighth report of the Canadian
6 Maritime Commission, June 1955.

7 Mr. Chairman, I have one or two questions.

8 THE CHAIRMAN: Yes?

9 MR. GERIN-LAJOIE: Mr. Lowery, you talked
10 at the outset of your evidence of dry docking in
11 wintertime for vessels going on the ocean: could
12 you tell us in a few words how important this
13 dry docking is, how frequent it is, and how long
14 it takes?

15 MR. LOWERY: You are talking about ocean
16 vessels?

17 MR. GERIN-LAJOIE: Yes, ocean vessels.

18 MR. LOWERY: Well, I am not an ocean
19 operator, but I would think that in ocean opera-
20 ting normally one would allow possibly two or
21 three weeks every year for overhaul and dry
22 docking.

23 MR. GERIN-LAJOIE: I am putting this
24 question because I believe you have referred to
25 the time and cost of dry docking in the esti-
26 mated operating costs you have submitted to this
27 Commission?

28 MR. LOWERY: No, I only referred to it
29 by omission.

30 MR. GERIN-LAJOIE: That is right.



1 MR. LOWERY: I dealt with the actual costs
2 during the summer, and then said that there
3 would be winter earnings accruing to the vessels
4 during the winter, but I cautioned the Commission
5 not to use the whole of the remaining days because
6 the ship would require to be dry docked. I
7 think Mr. McLagan in projecting the percentage
8 earnings of the ocean vessels for 8 months projec-
9 ted them for 12 months and arrived at what their
10 earnings would be for 12 months at the same rate
11 of earning, and he then cautioned the fact that
12 he was aware of the fact that the ship could not
13 earn during the whole of the remaining days
14 because it had to be dry docked, but he offset
15 that by pointing out all the vessels could carry
16 much more cargo in the winter than they could
17 in the summer.

18 MR. GERIN-LAJOIE: You don't know if the
19 dry docking has to be longer and more frequent
20 for vessels which are always on the ocean?

21 MR. LOWERY: Yes, it is.

22 MR. GERIN-LAJOIE: And does the situa-
23 tion change for those vessels which are only half
24 of the year on the ocean?

25 MR. LOWERY: That is an argument which
26 is going on at the moment and one which is
27 going to take a lot of resolving when the Great
28 Lakes ships start running up to Seven Islands.
29 The condition you are speaking of is one that
30 seldom occurs now, but is going to receive



1 increasing attention by Lloyd's and other agencies.
2 But, generally speaking, the regulations are
3 more stringent for ocean vessels than the Great
4 Lakes vessels, largely because the Lake ship is
5 automatically laid up every winter for examination.

6 MR. GERIN-LAJOIE: May I take it that
7 whenever you refer in your statement today or on
8 previous occasions to "deadweight tonnage" you
9 refer to long tons?

10 MR. LOWERY: Yes.

11 MR. GERIN-LAJOIE: 2,240 pounds?

12 MR. LOWERY: In my statement today, yes.
13 It is a very confusing situation, but in dealing
14 with the deep-sea shipping, as I have today,
15 yes, long tons.

16 MR. GERIN-LAJOIE: Would you have any
17 indication that the restriction in the use of es-
18 crow funds to the construction of dry cargo
19 ocean-going vessels would rule out the use of
20 such funds for composite vessels, let us say, for
21 oil plus ore?

22 MR. LOWERY: Oh no, I would be quite
23 sure that the Maritime Commission would allow
24 you to build those.

25 THE CHAIRMAN: In that last answer, to
26 build at all on escrow funds you have to build
27 them on Canadian registry?

28 MR. LOWERY: Yes.

29 THE CHAIRMAN: So you don't think there
30 is very much possibility of many composite ships



1 being built on Canadian registry?

2 MR. LOWERY: It could be done in the
3 future, presumably, if the coastal trade was not
4 being restricted.

5 THE CHAIRMAN: But I thought your whole
6 case was that Canadian operators could not possibly
7 compete even from the point of view of construc-
8 tion or operating costs? So why would they
9 build a composite ship and go out where they could
10 not compete?

11 MR. LOWERY: Yes, I see the point you
12 are getting at. They could have the ship construc-
13 ted in some cheap area, but then the disadvantage
14 would be the operating cost; but, actually, it
15 was not a thought that had occurred to me.

16 MR. GERIN-LAJOIE: If the coastal trade
17 of Canada were to be restricted to Canadian-regis-
18 tered ships, Canadian operators might be willing
19 to construct a composite type of ship which
20 would operate in the Great Lakes during the summer
21 period?

22 THE CHAIRMAN: And where in the winter
23 period?

24 MR. GERIN-LAJOIE: In the ocean.

25 THE CHAIRMAN: In the coean or Gulf --
26 on coasting trade, or international?

27 MR. GERIN-LAJOIE: International.

28 THE CHAIRMAN: Well, then you have the
29 difficulties of operating.

30 MR. LOWERY: I have lost track of the



1 question.

2 MR. GERIN-LAJOIE: I wondered if you would
3 conceive it as possible that if and when the
4 coasting trade of Canada were to be restricted to
5 Canadian-registered vessels, a company like Canada
6 Steamship Lines or any other Canadian operator,
7 would think of building/^a composite type vessel,
8 let us say for oil and ore to operate in Canadian
9 waters, coasting trade, in the summertime, and go
10 in the open sea for the winter period?

11 MR. LOWERY: I have not given the matter
12 personal consideration, but I would think not.
13 As I have said at all times, any composite vessel
14 is less efficient than one designed specifically
15 for the purpose, and I would suspect that if a
16 composite vessel were constructed and would operate
17 during the summer months with the restriction of
18 the coasting laws, the disadvantage during
19 those months would possibly not be offset by the
20 advantage during the winter months. Operating
21 as a Canadian vessel, with all the other dis-
22 advantages of dual management and things like
23 that, I feel that if the coastal trade is res-
24 tricted, the type of ship generally would be
25 similar to the T.R. McLagan.

26 MR. GERIN-LAJOIE: With reference to
27 Exhibit No. 219, the circular letter from Atlan-
28 tic Shipbuilding Company Limited, I notice that
29 the first item mentioned there is cargo and
30 passenger ships up to 6,000 tons deadweight?



1 MR. LOWERY: Yes.

2 MR. GERIN-LAJOIE: There is no reference
3 to larger ships.

4 MR. LOWERY: No, that particular shipyard
5 cannot build larger ships.

6 MR. GERIN-LAJOIE: Is this the only com-
7 pany, to your knowledge, which is in a position
8 to build within such a short time ships of this
9 kind?

10 MR. LOWERY: Yes, it is the only company,
11 within my knowledge, because it is the only com-
12 pany that has communicated with me on the matter.

13 MR. GERIN-LAJOIE: And for larger ships
14 than those mentioned in the circular letter you
15 don't have any knowledge they could be built and
16 delivered within less than 2 or 3 or 4 years?

17 MR. LOWERY: I do not have any evidence,
18 no.

19 THE CHAIRMAN: Have you got an order for
20 a French canaller?

21 MR. LOWERY: A small ship, yes.

22 THE CHAIRMAN: So some people are having
23 difficulty in getting them built in European
24 yards when they come to Collingwood to have them
25 built?

26 MR. LOWERY: No, that was not because
27 of difficulty in having it constructed, because
28 the same owner is having three sister ships,
29 I think, constructed in Germany. This was for
30 some intricate Canadian taxation arrangement



1 which I don't understand. I know they had it
2 worked out that if we could get the price down
3 to so much and if we could absorb so much money
4 during 1955, it was then beneficial to them from
5 an accounting point of view to do this, but the
6 details of the operation are not known to us.

7 THE CHAIRMAN: Have you absorbed much
8 money in 1955? Have you made any start on it
9 at all?

10 MR. LOWERY: We laid the keel on December
11 15th, I think. We have 10 or 12 plates, I think.
12 We are expecting the steel now and, of course,
13 we hope to deliver that ship quite early, but it
14 is a very small ship with small machinery which
15 is almost available off the shelf, but the
16 larger vessels, we cannot get machinery under 12
17 months; 12 to 15 months is the delivery time
18 for machinery in North America, so naturally we
19 cannot build ships of any dimension in less
20 than 18 months.

21 THE CHAIRMAN: That is delivery from the
22 United Kingdom or Germany?

23 MR. LOWERY: We can get delivery from
24 North America. We can get it from the United
25 Kingdom in about 15 months, but we are not sure
26 about it, so that the deliveries we trust a
27 little more are from North America -- the United
28 States, actually. The price of the ship is
29 naturally a little higher, but we are here and
30 we can go down to the factories and chase the



1 stuff along and be a little more certain of getting
2 it in time. At present I would think 18 months
3 is the shortest time any shipyard in Canada, even
4 with all the work and all the men, could produce
5 a ship.

6 MR. GERIN-LAJOIE: That is all.

7 MR. LOWERY: I find that I have forgotten
8 to present one submission.

9 THE CHAIRMAN: Yes?

10 MR. LOWERY: The submission of the Pro-
11 vince of Manitoba, No. B-77, paragraph 10, says:
12 "Canadian grain, for example, now competes
13 "with grain from Australia, Argentina and
14 "other areas which have better access to
15 "Ocean transportation. Lower transporta-
16 "tion rates made possible by the enlarge-
17 "ment of the Seaway would eliminate part
18 "or all of the locational disadvantage
19 "which now exists".

20 We are not at all clear as to what location-
21 al disadvantage is referred to in this Brief,
22 if the Brief is suggesting that the wheat growing
23 centers of Canada are farther from Fort William
24 than are the wheat growing centers of Argentina
25 and Australia to their shipping points they
26 may be correct, although we have evidence to
27 the effect that the cost of transportation
28 to the seaport terminals in Australia is not
29 substantially different from that which applies
30 from average interior handling points in



1 Canada to Fort William.

2
3 One of our major competitors is the United
4 States and the United States has a definite
5 locational disadvantage against Canada, since
6 the majority of United States grain must move
7 first to Duluth. The freight rate from U.S.
8 handling centers to Duluth is very much greater
9 than the freight rate applying to Canadian grain
10 to Winnipeg, due to Governmental regulations
11 brought about by the Crow's Nest Pass agreement.
12 From Duluth the U.S. grain must move to Buffalo
13 and since the use of the St. Lawrence river is
14 denied to U.S. grain shippers the grain must
15 then be shipped from Buffalo to the Atlantic
16 seaboard by barge through the Erie Canal or by
17 rail, all at a cost exceeding the cost of shipping
18 Canadian grain to the seaboard.

19 It would appear from the foregoing that
20 we have a locational advantage to the seaboard
21 compared with the United States.

22 Further, in discussing Argentina and
23 Australia as competitors we feel that the loca-
24 tional advantage of Canada insofar as total
25 distance from the consuming centers is concerned
26 cannot be ignored. In other words, we don't
27 think we should talk about how far the wheat
28 is from the Australian port and then forget
29 how far that port is from the consuming center.
30 The total distance from their consuming centers
in Canada is less than the distance of our



1 competitors. We have found it extremely diffi-
2 cult to obtain suitable freight rates, and I am
3 sorry I did not bring with me "Fairplay", but I
4 commend to the Commissioners they pick up any copy
5 of "Fairplay" and look at the report on freight
6 rates, and you will find that in the space of
7 3 or 4 weeks in Australia the rate fluctuates 20
8 or 25% or more. So, it was quite difficult for
9 us to establish the rate, but we contacted a deep-
10 sea shipper who told us he has just arranged to
11 carry grain from Australia to the United Kingdom
12 at 175 shillings per ton and from Argentina at
13 135 shillings per ton, whereas the rate from
14 Fort William to the United Kingdom at the end
15 of the shipping season was about 126 shillings
16 per ton.

17 It can be seen from the foregoing
18 figures that there would require to be consider-
19 able locational disadvantage with regard to
20 transportation cost to the water shipment points
21 if we are to admit that Canada has actually a
22 "locational disadvantage" as alleged in the Brief
23 submitted by the Province of Manitoba.

24 It should also be borne in mind that the
25 much longer sea voyage from Australia incurs
26 much higher interest charges.

27 MR. GERIN-LAJOIE: Mr. Chairman, the
28 next appearance for this morning was scheduled
29 as B.C. Lumber Manufacturers. Mr. Gordon
30 Blair is here representing the B.C. Lumber Manu-



6/
1 facturers, but he tells me that he has no supple-
2 mentary or rebuttal evidence to submit and that
3 he will confine himself to argument when the
4 time comes for it.

5 The next listed to appear is the St. Law-
6 rence Shipowners Association, and the secretary
7 of your Commission has received word that this
8 Association will not appear but will submit some
9 information in writing.

10 The next appearance was to be that of the
11 Government of Newfoundland which is not represented
12 here today and was not represented yesterday. We
13 have indirect information that the Government of
14 Newfoundland will appear only on argument to-
15 morrow.

16 THE CHAIRMAN: It is rather regrettable
17 that we have to have indirect information. These
18 interests are always represented by counsel or
19 by a representative of some kind and it could have
20 been quite easy for us to be notified so that
21 we could have made appropriate arrangements for
22 the timing.

23 MR. HALLEY: Mr. Chairman, I was speaking
24 to counsel for the Government of Newfoundland
25 on the plane and he advised me he was not in-
26 tending to present any evidence. I cannot say
27 for sure whether he asked me or not to advise
28 the Commission that he would be presenting no
29 rebuttal evidence.

30 THE CHAIRMAN: Even if he had, and you



1 had advised us, and I understand you gave the
2 information to Mr. Lajoie yesterday, that, I sug-
3 gest, is about a week later than we should have
4 heard from him.

5 All right, proceed.

6 MR. GERIN-LAJOIE: The next group is
7 Kent Lines Limited including Brunswick Motors
8 Limited and Irving Pulp & Paper Limited. Mr.
9 Teed is here representing those interests, but he
10 asked your Commission if he could be heard this
11 afternoon if this suits the convenience of your
12 Commission.

13 THE CHAIRMAN: Yes, Mr. Lajoie gave us
14 Mr. Teed's information and his plans. They have
15 suffered delay through aeroplane scheduling which
16 is not unusual in January in Canada, and therefore
17 he is unable to be present this morning. Under
18 those circumstances we have no choice but to
19 adjourn until 2.30 and hope that Mr. Irving will
20 be present at that time.

21 MR. GERIN-LAJOIE: Before you adjourn,
22 Mr. Chairman, Dr. Hope, representing the Canadian
23 Federation of Agriculture, asks for the privi-
24 lege of submitting some short supplementary
25 evidence.

26
27 (Page 5245 follows)
28
29
30



1 DR. HOPE: Mr. Chairman, may I crave your
2 indulgence. I am not too good at this sort of thing
3 but I find I have forgotten something I should like
4 to tell you. There has been certain information
5 or ideas given about the relative ages of vessels
6 and I ask the privilege of giving these figures.
7 I took the opportunity of checking Lloyd's Register
8 of Shipping Statistical Tables (1954), and once more
9 dealing with vessels only over 1,000 gross tons
10 I found deep-sea ocean-going vessels are 25 per
11 cent in excess of 25 years old. The statistics
12 do not give a breakdown of the age but do quote
13 that there are 3975 over 1,000 gross tons which
14 are over 25 years old and this is 25 per cent of the
15 tonnage afloat in 1954.

16 The idea ocean-going shipping dies a very
17 early death arose because of the fantastic
18 depredations of world wars with their tremendous
19 sinkings which required replacements, and the figure
20 is artificial and does not apply to Great Lakes
21 shipping. I would like to point to the pride of
22 the Merchant Fleet, the "Queen Mary" which is 25
23 years old at the moment, and the ships which Cunard
24 and the C. P. R. have: "Ascania", 31 years old; the
25 "Samaria", 35 years old; the "Franconia", 33 years old;
26 the "Empress of France", 28 years old; the "Empress
27 of Scotland", 26 years old, and also there is another
28 well-known ship, the "Isle de France" which is 31
29 years old at present.
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Some people think these vessels are too old, but nevertheless a ship like the "Queen Mary" which is 21 years old, is considered quite a young ship and though they think ships in the vicinity of 20 years old are too old, nevertheless they are sailing safely and quite happily.

The first supplementary evidence I would like to file is a document showing the Lake freight rate from Fort William to Montreal in cents per bushel by months from 1947.

MR. GERIN-LAJOIE: Mr. Chairman, I believe Mr. Rees wished to put a question to Dr. Hope.

MR. REES: Mr. Lowery mentioned the age of some of these vessels, passenger ships, but just to keep the record straight, I think following world war 2 most of these ships were almost re-built which cuts the elapsed age considerably.

MR. LOWERY: Far be it from me to get into a battle with you, but I am not of the opinion that they had new shell plates or double bottoms, and I think a few of them had new installations of machinery. I admit the passenger accommodation was replaced but the hull of these vessels is basically the hull they left the shipyard with on the date of their birth.

DR. HOPE: This supplementary evidence shows the freight rate on grain from Fort William to Montreal by months from 1947 to 1955. The first



1
2 column shows the maximum weight shipped as reported
3 by the Board of Grain Commissioners; the second
4 column shows the weight average.

5 MR. GERIN-LAJOIE: Mr. Chairman I believe this
6 document should be numbered as an exhibit.

7
8 ---EXHIBIT NO. 227: Table showing Lake Freight Rates-
Fort William to Montreal.

9
10 DR. HOPE: At the bottom of the table is shown
11 the total bushels carried during the Lake hauling
12 season each year for the five main grains. It is a
13 figure calculated by the Board of Grain Commissioners
14 and it shows each year, and it varies from a high in
15 1952 of 450 to a low of 202 in 1950.

16 Now, the second evidence I wish to present is
17 a chart showing by months the totals of shipping
18 losses, British, Allied and Neutral by enemy
19 action and total number of U-Boats and operated
20 U-Boats.

21 MR. GERIN-LAJOIE: This document may be
22 numbered, Mr. Chairman, as 228, and it is entitled
23 "Monthly totals of Shipping Losses, British, Allied
24 and Neutral by enemy action and total number of
25 U-Boats and Operated U-Boats."

26 DR. HOPE: This evidence is taken from
27 Churchill's History of the Second World War And
28 Chart On Page 5, Of The Fifth Volume Of This
29 History.
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---EXHIBIT NO. 228: Chart showing monthly totals of shipping losses, British, Allied and Neutral by enemy action and total number of U-Boats and Operated U-Boats.

DR. HOPE: Now, the third piece of supplementary evidence I wish to offer is a clipping from the "Montreal Gazette" which I read yesterday.

COMMISSIONER BELANGER: I do not see the purpose of this.

DR. HOPE: Well, I was going to use that in argument tomorrow. The reason why I put this in is that certain interests are basing almost their entire argument on National Defence, and somebody has to look into that matter.

MR. GERIN-LAJOIE: This clipping from the "Montreal Gazette" will be numbered 229.

---EXHIBIT NO. 229: Clipping from "Montreal Gazette" headed "'Seamew' Aircraft Unveiled in U.K."

DR. HOPE: This is just a small news item but often very important things come in small items that are sometimes hidden in the back of the newspapers. It is a description of a new anti-submarine and maritime reconnaissance aircraft, just coming out of British factories as a result of her very continuous research.

I will talk about that tomorrow.

MR. GERIN-LAJOIE: Just a question for the purpose of explaining your exhibit 227; are the rates given per measured bushel or per weight bushel?



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1
2 DR. HOPE: They are always in weight bushels.

3 MR. GERIN-LAJOIE: Thank you.

4 That is all, Mr. Chairman, for this witness..

5 COMMISSIONER BELANGER: In your rate per bushel
6 do you have a breakdown of your rate? Is it so
7 much for transport and so much for trans-shipment
8 and things like that?

9 DR. HOPE: This is a case of shipping direct
10 from Montreal, and not through the big ports. If
11 the grain is loaded on the ship, as I understand it,
12 the company will stand that cost, but if they
13 unload here at the end of the line it is calculated
14 in these costs.

15 MR. GERITY: Mr. Chairman, may I add one
16 remark about canalliers?

17 Sir, I have obtained a little more information.
18 I may say this point is discussed in Volume 12,
19 page 388, line 15. The fact is that Captain
20 Misener built three of these canalliers, but he
21 tells me he required 21 canalliers because the
22 elevators at Port Colborne will not allow grain
23 to be unloaded unless it is taken out, so he must
24 have it on a through rate.

25 Secondly, as I have said, these vessels
26 were bought at a very reasonable price indeed,
27 and they are all quite old. In the final event,
28 they will only have a scrap value, I estimate, of
29 about \$30,000.

30 The third factor is a contract was entered into



1
2 with a group of people at Seven Island to carry some
3 two million tons of iron ore through the Canal.
4 That was stretched out.

5 THE CHAIRMAN: No, no, they did not go to
6 Seven Islands.

7 MR. GERITY: I am sorry, sir, it was
8 Contracoeur, but it stretched their voyage out to
9 Astabula. The form of contract made says it may
10 automatically terminate, yet the companies, if they
11 have to look for any business when the Seaway goes
12 through, can only get a percentage of it.

13 That is short is my summary, in addition to
14 what Mr. McLagan has said.

15 One other remark I would like to make; I
16 have been told I said yesterday a minuscule amount
17 of grain was carried, but I did put the figure in
18 in Exhibit No. 7, of the exact amount of grain
19 carried by our vessels every year.

20 THE CHAIRMAN: A very minor amount was the
21 reference that was made.

22 MR. GERITY: At the time in Montreal I was
23 referring to the fact of one-thirty-fifth of a cent
24 charged on grain storage, but this has not been
25 anywhere near as good a year.

26 THE CHAIRMAN: I suppose there was the usual
27 last-minute rush.

28 MR. GERITY: There was. The figure I think
29 is 226 million bushels per year.
30



1
2 MR. GERIN-LAJOIE: Before you adjourn,
3 Mr. Chairman, I understand Mr. Fisher, on behalf
4 of the Canadian Shipowners' Association, who appeared
5 yesterday, has supplementary evidence to file with
6 the Commission, as requested from him.

7 THE CHAIRMAN: Yes, Mr. Fisher.

8 MR. FISHER: This is "Comparison of Merchant
9 Fleet of Great Britain & Northern Ireland With
10 The Total World's Fleet".

11 MR. GERIN-LAJOIE: This is Exhibit No. 230.

12
13 ---EXHIBIT NO. 230: Document headed "Comparison of
14 Merchant Fleet Of Great Britain
& Northern Ireland With The
Total World's Fleet".

15 MR. FISHER: You will recall yesterday in
16 discussing figures which I submitted in Exhibit No.
17 221, it was mentioned my selection of the years
18 might not be entirely a sound one, and it would be
19 better if we had those figures for each year.
20 I have, therefore, extracted from the same source
21 comparable figures for the past 50 years, with the
22 exception of the war years, when records were not
23 taken.

24 One point made yesterday was that probably
25 the fact of so many sinkings in World War II would
26 have a marked effect on the British Mercantile
27 Marine. I would draw your attention to the year
28 1939 when the number of vessels was 6,722, while in
29 1948 the total number of vessels was 6,025. While
30 the number of vessels was reduced, the gross tonnage



1
2 had increased from 17,891,134 tons to 18,024,852
3 tons, which was a greater tonnage than they had at
4 the outset of the war.

5 Counsel this morning asked me if these tables
6 could be adjusted to take care of vessels of 1,000
7 tons and over. I informed counsel I did not have the
8 tonnage, but if this figure is of interest to the
9 Commission, I made a calculation a few moments ago,
10 and in 1955 the number of ships ranging between 100
11 and 999 gross tons is 2,880. In other words, it
12 is about half the total number of vessels. The
13 same calculation, made under the same conditions,
14 for world tonnage, indicates the total number of
15 vessels under 1,000 gross tons, included in that
16 figure, is 16,259. I think the point there is that
17 the proportion is exactly the same. It is about
18 half the vessels, both British and world tonnage.

19 The reason I suggest that 1,000 tons was to
20 discuss manning the vessels, and these vessels
21 all require to be manned, whether they are 100
22 or 1,000 gross tons.

23 That is all I have to say, sir.
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27 (Page 5253 follows)
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2 ---Upon resuming at 2.30 p.m.

3
4 THE CHAIRMAN: Yes, Mr. Mundell.

5 MR. MUNDELL: Mr. Chairman, there are two
6 exhibits I would like to file at this stage with
7 your permission. The first is a letter from the
8 Union Steamships Limited dated January 3, 1956
9 to the Secretary of the Commission making certain
10 corrections in the transcript.

11 THE CHAIRMAN: Exhibit 231. What is the
12 date of that letter?

13 MR. MUNDELL: January 3, 1956.

14
15 ---EXHIBIT NO. 231: Letter dated January 3, 1956
16 from Union Steamships Limited
17 making corrections in their
18 transcript.

19 MR. MUNDELL: The next exhibit is a letter
20 from the Aluminum Company of Canada Limited
21 dated January 3, 1956 and this contains certain
22 corrections for the transcript and answers certain
23 questions that were left unanswered at the hearing
24 at Montreal.

25 THE CHAIRMAN: Exhibit 232.

26 ---EXHIBIT NO. 232: Letter dated January 3, 1956
27 from the Aluminum Company of
28 Canada Limited making cor-
29 rections in transcript and
30 answering certain questions.



1
2 MR. MUNDELL: This afternoon, Mr. Chairman,
3 the only --.

4 THE CHAIRMAN: Yes.

5 MR. MUNDELL: This afternoon, Mr. Chairman,
6 Kent Lines Limited, Brunswick Motors Limited and
7 Irving Pulp and Paper Limited; in this case one
8 party, wish to put some evidence before the
9 Commission. Mr. Teed.

10
11 ADDITIONAL SUBMISSION BY KENT LINES LIMITED
12 (BRUNSWICK MOTORS LIMITED AND IRVING PULP
AND PAPER LIMITED)

13 ---Mr. J.F.H. Teed appearing for Kent Lyons Limited.

14
15 THE CHAIRMAN: Yes, Mr. Teed.

16 MR. TEED: Mr. Chairman, at the Toronto hearing
17 I was asked, when I was present and Mr. Irving
18 unfortunately was not present, I was asked some
19 questions which I could not answer. Mr. Irving is
20 here today and I think perhaps he is in a position
21 to give the information which we were asked for
22 at that time.

23 May I perhaps just refer to these particular
24 matters and amplify them before we deal with any-
25 thing else.

26 There was one thing -- I will take them
27 one by one -- in the brief which contains a
28 number of certain general statements in the brief
29
30



1
2 or my general remarks to it. One was on page
3 eight of the brief No. 164 which was the brief
4 filed at that time. I said that:

5 "It is no secret that the Canadian
6 "National Railway in the East cannot be
7 "counted on to supply transportation
8 "(making due allowance for general economic
9 "changes and operating costs) on a sound,
10 "continuous and steady rate basis; this
11 "has been definitely demonstrated for the
12 "last 20 years."

13 I think perhaps Mr. Irving may give some
14 demonstrations to the Commission if the Commission
15 would like to hear them. If they are not inter-
16 ested we will go no further with that aspect of
17 it.

18 THE CHAIRMAN: Oh yes.

19 MR. K.C. IRVING: Mr. Chairman, I am
20 particularly going to refer to the use of coastal
21 tankers in the Maritime provinces.

22 I think the first tanker we put in the
23 coastal trade was purchased in August of 1934.
24 The reason for that was that I believe it was
25 1932 the Canadian National Railway increased
26 the rates along the south coast of Nova Scotia;
27 the south-west coast of Nova Scotia to a point
28
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2 where we felt that they were too high and we could
3 not afford to pay the rates they asked us to pay
4 or they were charging.

5 We made several calls on the Canadian
6 National Railway and requested that they reduce the
7 rates back to somewhere where they were in 1932
8 and did not get any place. I told them it would
9 necessitate then my purchasing of a tanker.

10 One of the gentlemen at the last meeting,
11 which was I think in June or the latter part of
12 June or the first of July 1934 said, "Well, go
13 ahead and buy your tanker" so we did and the tanker
14 made its first trip in November 1934.

15 A little more than two years I was called on
16 by the C.N.R. --.

17 THE CHAIRMAN: When?

18 MR. IRVING: In 1937. I would say in the
19 Spring of 1937. I was called on by the C.N.R. and
20 the C.N.R. told me at that time unless I took our
21 tanker out of service -- that they would reduce
22 their freight rates to all points where we had
23 bulk storage and used our tankers for delivery to
24 a figure that would equal our cost; so the con-
25 versation went on longer and then they asked me
26 what our costs of water transportation was.

27 I think I told them they could not hardly
28 expect me to tell them what my cost was, in the
29
30



1
2 face of what they said but no doubt they could
3 figure it out for themselves. I think it was
4 July 7, 1937 they reduced their rates to points
5 where I had water storage or we had water storage
6 and where we were using this coastal boat, coastal
7 tanker to -- oh as much as 45 per cent; 45.3 per
8 cent.

9 I have a list of some of the reductions here
10 and can read them out. Moncton, for instance, they
11 reduced the rate 32.6 per cent. I believe Buctouche
12 45.3; Newcastle 42.1; Bathurst 36.3; Campbellton
13 38.8 and down the line; Bridgewater was 32.4;
14 Liverpool 35.8; Weyburne was 35.8 and so forth.

15 MR. MUNDELL: You are just using them as
16 illustrations? I was wondering if you would care
17 to file that as an exhibit.

18 MR. IRVING: If you wish I will. These
19 are just from our records we made at the time that
20 the reductions took place which, of course, did
21 materially affect our coastal operations.

22 MR. MUNDELL: You are really just using
23 those as illustrations.

24 MR. IRVING: Yes, that is right but they
25 did reduce their rates to a point where, I am
26 sure, that coastal trading at that particular
27 time did not pay. However, we continued on.
28
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1
2
3 There was another incident about the same
4 time. They reduced the rate to Fredricton I believe
5 about -- quite substantially. I think it was from
6 21 cents to 12-1/2 cents. South Devon is just
7 across the river from Fredericton and South Devon
8 always enjoyed the same freight rate as Fredricton
9 We, that is the Irving Oil Company, presumed at
10 that time that they had reduced the freight rates
11 to South Devon by the same amount as they had
12 reduced the Fredricton rate and the Irving Oil
13 Company did ship a lot of tank cars for some time
14 and then we found that our figures did not reveal --
15 our operational figures did not reveal a reduction
16 in the freight rate so we examined our freight
17 costs and we found we were being charged the old
18 rate to South Devon and we approached the C.N.R.;
19 presuming they had made a mistake and they said
20 "No".

21 They told us and they told me after quite
22 some conversation that they would not reduce the
23 freight rate to South Devon until I took or dis-
24 continued using our tanker. I asked them to
25 put that in writing. I tried to get that in
26 writing for two or three weeks but I never did
27 get a letter from them.

28 However, we then, of course, transported
29 as much of our products again by water to South
30



1
2 Devon.

3 However, not too long after that they did
4 reduce their freight rate to South Devon to the
5 same figure as the Fredricton rate.

6 COMMISSIONER WICKWIRE: You took your tankers
7 up the Saint John River.

8 MR. IRVING: That is right.

9 That is just a little experience of what we
10 will say with rail competition that coastal shipping
11 has had to put up with and this year -- I know a
12 great many of the C.N.R. personnel. They are all
13 fine people. There is no question about it but this
14 is just strictly a matter of business. I am just
15 referring to the matter in that way but it did make
16 it very difficult for us to operate our tankers.

17 Now, if we are interested in keeping the
18 shipyards busy with work and that sort of thing
19 then I do not think that it becomes the C.N.R. to
20 deprive either the shipyards or those of us who
21 live on the Coast of the use of water transportation.
22 There is a place for the railways. There is a
23 place for water transportation and the two should
24 work together. One should not try to put the
25 other out of business. That is all I have to
26 say.

27 MR. TEED: Those are illustrations of
28 that particular general statement.
29
30



1
2 Now, I was asked some questions with respect
3 to the four boats which are mentioned in this brief
4 filed; the Rexton Kent; the Irvingwood, the Irvinglake
5 and the Irvingdale and my note with respect to that
6 is as follows. I think these questions were from
7 Mr. Mundell or from members of the Commission.

8 "In what trade were these four boats engaged;
9 the four boats, the Rexton Kent, the Irvingwood,
10 the Irvinglake and the Irvingdale." This first
11 set of questions was directed to these four boats.

12 MR. IRVING: At the present time the Rexton
13 Kent is now being operated between Baltimore,
14 New York and Bermuda.

15 COMMISSIONER BELANGER: That is for the
16 winter season?

17 MR. IRVING: No, it has been operated all
18 last Fall, I think, and part of last summer. I
19 believe it is our intention to bring that boat
20 back and to use it to some extent in our own --
21 for some of our operations in the Spring. That is
22 just a possible forecast which may not develop
23 but I think we will.

24 We have used the boat in the past for our
25 own use but other time it has been chartered out.
26 At the present time it is chartered.

27 The Irvingwood at the present time is
28 chartered to the C.N.R. carrying freight from
29
30



1
2 Halifax to St. John's, Newfoundland. We have used
3 the Irvingwood in connection with our own business,
4 I believe, most of the summer carrying tank supplies
5 and one thing and another to Newfoundland and steel;
6 pipe and that sort of thing from Fort Erie and from
7 Welland and the Steel Company in Toronto; various
8 places during the summer. She also did carry some
9 wood for the Ontario Paper Company down the North
10 Shore of the St. Lawrence to Thorold. Perhaps
11 she did carry a cargo or two of grain. I am not
12 too certain. She did some of it. She has done it
13 in the past. We use the boat a great deal in our
14 own operations.

15 The Irvinglake has been chartered, I believe,
16 to Irving Steamships which in turn carry Irving
17 oil products. She has, I believe, carried a cargo
18 or two for others but mostly for the Irving Oil
19 Company during the last year. In other years, of
20 course, she has been chartered down south and
21 worked for one or two years down I think --
22 operating in Lake Maracaibo to Auruba and then
23 other times she has carried syrup and molasses
24 during certain seasons of the year when we did
25 not have use for her.

26 The Irvingdale, I think, she took five cargoes
27 of oil just at the close of the season on the
28
29
30



1
2 St. Lawrence from Montreal to Three Rivers and
3 Quebec.

4 I think the next trip was from Halifax to
5 Saint John and then from Halifax to St. John's,
6 Newfoundland and from there she sailed to Auruba.
7 Most of the rest of 1955 she operated between --
8 from the Caribbean some place to the East Coast of
9 the United States. She did carry, I think, during
10 that same time possibly a cargo or two of Bunker C
11 to our pulp mill in Saint John. Generally it was
12 chartered out. Does that answer your questions?

13 MR. TEED: That answers the questions as I
14 have noted them. It may be that some further
15 information will be asked for by the Commission.

16 COMMISSIONER WICKWIRE: They are all of
17 Canadian Registry, are they not?

18 MR. IRVING: Yes. The Rexton Kent is; the
19 Irvingwood is, the Irvinglake and the Irvingdale
20 are, that is correct.

21 MR. TEED: Another question was asked which
22 went outside of these four boats. The total
23 number of ships owned by the members of the
24 Irving organization which were not on Canadian
25 Registry; when they were put on such registry
26 and what registry it was and particularly if any
27 were under the Panamanian flag.
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1
2 MR. IRVING: We have one under the Panamanian
3 flag. That is the Irvingbrook.

4 PROF. JACKSON: Beg pardon, sir. Is that the
5 Irvingbrook?

6 MR. IRVING: The Irvingbrook.

7 MR. TEED: That is one that is not mentioned.

8 COMMISSIONER BELANGER: That is the only one
9 you have outside the four you mentioned earlier.

10 MR. IRVING: Not the only boat, no. We have
11 several, two or three others.

12 MR. TEED: But not under a foreign flag.

13 MR. IRVING: Yes, Mr. Chairman. That is the
14 only one under the Panamanian flag.

15 MR. TEED: Perhaps you may go on about your
16 other ships which may be owned by the organization
17 which are not under that flag.

18 MR. IRVING: Here we have -- I suppose you
19 may call the Molly G another one and she is operated
20 as a barge now. Also the Otter Hound and then
21 there is the Seekonk.

22 COMMISSIONER WICKWIRE: What registry are
23 they under?

24 MR. IRVING: Canadian.

25 MR. TEED: Now, any others or is that all.

26 MR. IRVING: I think that is all.

27 MR. TEED: Are there some, not necessarily
28 cargo ships, are there ships operating or being
29
30



1
2 operated for some associate, any motor passenger --

3 MR. IRVING: Well, Mr. Chairman, there are
4 tugs but that is all, I would say.

5 MR. TEED: In connection with British Columbia
6 there are quite a lot of references to tug boats.
7 I do not know whether the Commission wants the
8 information or not.

9 THE CHAIRMAN: All right.

10 MR. TEED: There are a number of tugs.

11 MR. IRVING: Yes.

12 MR. TEED: Perhaps you can give that in-
13 formation.

14 MR. IRVING: Well, the Irving Pulp and Paper
15 directly or indirectly operates three tugs. Two of
16 them are 240 horsepower diesel tugs. Another one
17 is 400 horsepower. Of course, they have other boats,
18 winch boats and that sort of thing not worth
19 mentioning and that also brings to my memory the
20 fact we have another tug which I believe is owned
21 by the Irving Steamships. It is 240 horsepower
22 tug.

23 MR. TEED: The Irving Steamships.

24 MR. IRVING: Yes.
25
26
27
28



1 MR. TEED: Now, the question was asked, do the
2 Irving interests own ships which participate in
3 Canadian coastal trade. I think that was a question
4 that was not limited as to time.

5 THE CHAIRMAN: These three tugs are all
6 Canadian registry?

7 MR. TEED: Yes.

8 COMMISSIONER WICKWIRE: The only ship you have
9 not of Canadian registry is the "Irvingbrook," I take
10 it?

11 MR. TEED: That is right.

12 Would the Commission like some information
13 about that boat, as to her size, perhaps? You might
14 give some information about the size of the boat.

15 MR. IRVING: The "Irvingbrook" weighs 18,400
16 tons approximately.

17 MR. TEED: Dead weight?

18 MR. IRVING: Dead weight, yes.

19 MR. TEED: The brief gives the capacity of
20 the four boats. You mentioned the "Molly G",
21 which you say is now a barge, and the "Otter Hound",
22 how big a boat is she?

23 MR. IRVING: Oh, quite small. I do not know
24 exactly what she carries in barrels or gallons,
25 but I would say about 200 or 250 tons.

26 MR. TEED: And the "Seekonk"?

27 MR. IRVING: About 1,500 or 1,600 tons.

28 MR. TEED: That is dead weight?

29 MR. IRVING: That is dead weight.
30



1 COMMISSIONER BELANGER: Do you charter any
2 U.K. boats?

3 MR. IRVING: Once in a while we charter quite
4 a few boats. I think we chartered five or six in the
5 month of December, that is T-2's, boats of about
6 16 or 17 thousand tons. We have chartered a few
7 this month so far.

8 THE CHAIRMAN: Are they used in the coasting
9 trade?

10 MR. IRVING: No, really in foreign trade, I
11 would say.

12 MR. TEED: Now, there is the question as to
13 how extensively the Irving ships participate in
14 Canadian coastal trade. You have given information
15 I think with respect to 1955, and perhaps the
16 Commission would like it a little more generally
17 and refer back to other periods.

18 MR. IRVING: I would say possibly we used them
19 more in Canadian coastal trade in 1955 than we
20 did in previous years. They were all pretty much
21 at the start in the foreign trade and as we
22 developed the need for them ourselves we brought
23 them into the Canadian coastal trade. The "Irving-
24 dale", when we first bought her, we used her in
25 foreign trade entirely. The "Irvinglake", we
26 re-built, bought a whole new front end from the
27 number two tank forward, that is from the second
28 tank forward of the engine room. She was re-built
29 at Pictou in 1946 and she went into foreign trade
30



1 and stayed in foreign trade until about three years
2 ago. Then she was used on the St. Lawrence for a
3 year or so and went south for the winter. I should
4 have said she was used on the St. Lawrence in the
5 summer months and went south in the winter, and then
6 we started using her ourselves and kept her pretty
7 much entirely in coastal trade.

8 COMMISSIONER WICKWIRE: Were any of these
9 ships built in Canada?

10 MR. IRVING: They were all built in Canada
11 with the exception of the "Seekonk" and the "Otter
12 Hound", and of course, the "Irvingbrook". The
13 "Rexton Kent" was built in Canada. The "Irvingwood"
14 was built, I think, about 1952, I am not sure of the
15 exact date, but she was built in Quebec. The
16 "Irvinglake" had been torpedoed and re-built, the
17 whole front end was re-built. I think it cost
18 about \$600,000 to put a new front end on the
19 "Irvinglake". That was in 1946, I think, at
20 Pictou.

21 The "Irvingdale" was built during the war,
22 I think in 1944, on the West Coast.

23 The "Seekonk" we bought from the U. S.
24 Government in 1949. She was bought by a Newfoundland
25 company and was eventually transferred to Canadian
26 registry after Confederation.

27 THE CHAIRMAN: Where was the "Irvingbrook"
28 built?

29 MR. IRVING: In Hambourg, Germany.
30



1 MR. TEED: I was also asked if any of your
2 boats participated in the Great Lakes trade and I
3 said some had gone up there, and you mentioned a
4 few moments ago some had been there. Can you give a
5 little more information on that and mention what they
6 did?

7 MR. IRVING: Yes, the "Irvingwood" has made
8 some 20 trips, I think, on the Lakes since she was
9 built in 1952. I believe that is approximately
10 correct. The "Irvinglake" has from time to time
11 been in the Great Lakes.

12 The "Seekonk" traded part, I think, of two
13 summers after we first bought her. She was in the
14 St. Lawrence, and when we didn't need her for our
15 own purposes, we did charter her to other companies,
16 but not in late years.

17 I believe those are the only three boats that
18 did any trading on the Great Lakes.

19 MR. TEED: Now, at the conclusion of my
20 remarks, Mr. Jackson asked some questions. I had
21 said generally it had been found from experience
22 that it paid on some occasions to have overhaul
23 work done in United States yards rather than in
24 Canadian yards even though the wage rate was a bit
25 higher than ours, but it paid because of quicker
26 despatch, and Mr. Jackson asked a number of questions,
27 asking in effect, the particulars about this.
28 He said my remarks were general, and I said they
29 had to be because I couldn't give detail.
30



1 PROF. JACKSON: Mr. Chairman, for the sake of
2 Mr. Teed, would he care to have the questions I
3 asked at that time?

4 MR. TEED: I think you asked the first time
5 how many times ships had been sent down to the United
6 States for repairs and I couldn't answer that question.

7 MR. IRVING: Mr. Chairman, I have here just a
8 bit of information about five occasions, but, there
9 are many more than that. These are five which were
10 more or less taken at random, three from last year
11 and two from 1949, but I want to say we do not very
12 deliberately take boats away from Canada and send
13 them down to the U. S. to be repaired. We have a
14 lot of good yards in Canada and when we do what we
15 did we do it purely as a matter of dollars and cents,
16 and not because of personnel problems or because of
17 our yards at all.

18 I will give you one case: The "Irvingbrook"
19 developed some trouble, she was caught in a bad
20 storm and damaged her rudder. While on her way
21 north with a cargo for the Irving Oil Company she
22 developed this trouble and we had some temporary
23 work done at her first port of call when she
24 arrived, enough to get her a seaworthy certificate.
25 We asked a Canadian shipyard, a very good one, too,
26 from whom we get a good deal of work, and very
27 satisfactory work, but we did ask them for an
28 estimate of the time it would take to do the
29 necessary repair work, and they told us ten days.
30



1 We went into detail as to the work they would do in
2 that length of time. We figured that was too long
3 and we contacted a shipyard that does considerable
4 work for us from time to time in the U. S., and they
5 told us they could do the work in three days. The
6 ship was going in that direction anyway so we had
7 the ship go into this yard and it actually took them
8 four days to do the work, and some additional work,
9 but at the same time, the work we asked to have
10 done there in the first place I am sure would not
11 have taken them more than three days. However,
12 there developed the necessity of a repair job on
13 the rudder, the rudder had to be re-built, so that
14 actually consumed another day. We had done in four
15 days what the Canadian shipyard told us would take
16 nine working days, so throwing a Sunday in there,
17 or maybe two, it would take ten days, and four from
18 ten means we saved six days. The boat at flat
19 U.S.M.C. is worth about \$4,100 a day, so on that
20 job as far as time is concerned we saved \$24,000.

21 Now, I haven't the figures here, but I think
22 docking of the boat costs somewhere in the vicinity
23 of \$4,900, and this particular work cost somewhere
24 around \$5,700, so almost any way you take it, if
25 the work actually had cost a little less in a
26 Canadian yard, the overall cost would have been
27 very much more when you consider the loss of time.

28 That was one case in 1955. That was the
29 "Irvingbrook".
30



1 The next one I have here on the list, and it
2 just happens to be one because there are a great many
3 more in between, but it is the "Irvingdale" in 1949
4 when she had her annual overhaul and repairs done in
5 New Orleans. It took nine days to do the job and
6 cost \$18,726. They worked around the clock and I
7 believe they charged us the same rate as in the yards
8 we go to anyway. They charged the same rate for the
9 two day shifts from eight to twelve at night, and
10 sometimes there is an extra charge of ten cents an
11 hour or something like that, depending on the basis
12 of the job. If it is a contract we do not notice it
13 but it is figured in there at ten cents an hour
14 more for the night shift from twelve o'clock until
15 eight o'clock in the morning. Although we had no
16 quotation from Canadian yards we knew the Canadian
17 yards only work eight hours and possibly four hours
18 overtime, and we saved considerable time. I would
19 say we saved a minimum of nine days' time and on
20 the basis of U.S.M.C. rates, that works out to about
21 \$1,290 a day, and the saving there in nine days is
22 \$11,610.

23 Of course, there has to be some deductions
24 because the expenses are not as great when the
25 boat is tied up, as when it is operating, but
26 these figures give you some idea of the cash position,
27 the difference in what your cash position would be
28 between having the work done in the U. S. or in a
29 Canadian yard.
30



1 The next one was the "Irvingdale." That was in
2 1955. We had an explosion, we were carrying
3 molasses, and there was an explosion in one of the
4 tanks. It damaged the boat and cost us \$62,000 to
5 have it repaired and it took ten days, but they
6 worked around the clock to do that. Now, we figure
7 it would have taken at least an additional ten days
8 to repair that in a Canadian yard.

9 COMMISSIONER WICKWIRE: You would have duty
10 also?

11 MR. IRVING: Not when the boat is in foreign
12 trade. If it is in foreign trade there is no duty
13 on repairs. In fact, I believe you can bring parts
14 into Canada and put them on the boat when you are in
15 foreign trade as long as the boat clears port
16 immediately after the work is done. I think that is
17 roughly correct. It would be just too bad for us
18 if there was any duty on repairs done on foreign-
19 going boats.

20 We had another case; the "Rexton Kent" had
21 her annual overhaul in the fall of 1955 in
22 Baltimore. They did it in three and one-half days.
23 I wanted the "Rexton Kent" to come back to Canada
24 to have that job done, and I mentioned I would
25 like to have her done in Nova Scotia and they
26 said they could get the work done as cheaply
27 and save a whole lot of time. I know that is
28 right and anyway, it was figured out, and they
29 did the job in three and one-half days, costing
30 \$11,000, and it would have taken at least twelve



1 days in a Canadian yard to do the job. We saved
2 eight and one-half days, and that boat is worth
3 \$400 a day to us, so we were saving something there.

4 In 1949 we bought new engines for the "Irving-
5 lake". We had a quotation from a Baltimore yard as
6 to the cost of installing engines and a definite
7 commitment on their part as to the time they would
8 take and they told us 42 days. However, I had
9 reasons of my own, and I said "We will bring her
10 to Canada", and we towed her up to Canada. We
11 broke both engines at the same time off Baltimore
12 and we said we would tow her up, and we did. We
13 towed her to a yard in Canada and had the job done
14 and it took 120 days. Now, it was a good yard,
15 and they did good work, and they were not slow
16 either, but they work one shift and some overtime
17 and what with bottlenecks and one thing and
18 another, it took 120 days to do the job. We figured
19 we lost 78 days operation, and that boat immediately
20 went on charter for \$900 a day, I believe it was,
21 as soon as the engines were installed. So the loss
22 of time cost us on that job over \$70,000. The job
23 itself of putting the engines in, without the cost
24 of the engines, of course, cost us \$48,300. That
25 figure was slightly under the quotation we had in
26 the United States. I am not sure of what it was,
27 but I think it was around \$50,000 which they offered
28 to do the job for us. We did have the figure, but
29 I could not get hold of it when I left.
30



1 That is just a few of the jobs. We have no
2 complaint about Canadian shipyard work, and we have a
3 lot of work done in Canadian yards, and we consider
4 one of the yards where we have a lot of work done
5 an exceptionally good yard, but under certain
6 circumstances, it is expensive to put your boat into
7 a Canadian yard and have the work done here.

8 MR. TEED: Mr. Jackson, that statement is not
9 perhaps categorically answering every question as
10 you asked them, but I think it covers the field.

11 PROF. JACKSON: I am perfectly satisfied,
12 Mr. Chairman. I merely offered the transcript in case
13 Mr. Teed didn't have it in his hand.

14 Thank you.

15 MR. TEED: Mr. Chairman, in my brief filed,
16 I have made reference to the proposed Chignacto
17 Canal. I did forward to the members of the Commission
18 copies of a booklet we had in New Brunswick so they
19 would be available for reference. Now, there is a
20 sort of supplement to that with respect to which I
21 think information may be submitted to the Commission
22 because the situation is rather different. It has
23 nothing to do with the Chignacto Canal but it has
24 something to do with coastal shipping, and that is
25 the Causeway at Canso. The Gut of Canso is now
26 closed off for ocean navigation going through. There
27 is a canal there of rather limited capacity, and
28 the situation caused by the construction of the
29 Causeway has always caused some delay in the summer
30



1 months.

2 COMMISSIONER WICKWIRE: There was one ship
3 tried to go over it.

4 MR. TEED: I do not think this Commission can
5 do anything except perhaps criticize that captain
6 who thought he saw a fleet of tankers when he saw
7 a row of lights ahead of him.

8 There is a situation that has arisen there
9 which is just there, and that is all there is to it,
10 and I think some statistical information might be
11 presented to this Commission. I don't know what they
12 can do about it frankly. I may make some remarks
13 later on in an argumentative manner, but I think
14 Mr. Irving has some information with respect to
15 the distances, particularly with respect to coastal
16 trade from the Gulf to Halifax and various points
17 in the Gulf, and vice-versa.

18
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20
21 (Page 5290 follows)
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1 MR. IRVING: Mr. Chairman, the Canso Cause-
2 way has certainly caused us a lot of inconvenience
3 and expense since, we will say, a year ago, early
4 last Fall. We have been forced to send our
5 coastal boats all around Sambro and Cape North
6 and going up into the Gulf of St. Lawrence and
7 into the Northumberland Straits. I have some
8 figures here showing roughly the hours consumed
9 by these boats in travelling those extra miles,
10 and in the period of from, say, roughly September
11 1953 to December 21st of this year, when we
12 were advised we could not get through. One of
13 our boats, the Seekonk, lost over 25 days in
14 going around Cape Breton instead of going through
15 the Strait of Canso. The Irvinglake lost over
16 10 days. That is time that is based on miles
17 and in addition to that the longer distances,
18 or the longer distance, I should say, and the
19 rougher water caused further loss of time due to
20 the fact you are not able to calculate tides in
21 getting into places such as New Glasgow and Tren-
22 ton and Buctouche; we arrived too late or very
23 much too early, and, of course, lost more hours.
24 That is time that we have lost.

25 They built the causeway before they
26 built the canal. We claim, the shipowners and
27 ship operators, that they should have built the
28 canal first and blocked the Strait after. Com-
29 panies chartering these boats and using these
30 boats have lost a great deal more than that,



1 because a lot of the products they would have
2 carried by water have to be transported by rail
3 at much greater cost. For instance, this year
4 we were frozen out of Chatham, Buctouche, Trenton
5 and Charlottetown just because we could not get
6 around. We tried to get permission to purchase
7 another boat last year, but any boat we suggested
8 was not acceptable to the Maritime Commission,
9 and so we could not get a permit to purchase the
10 boat. We could not get permission, not to pur-
11 chase the boat, but we could not get permission
12 to purchase any boat we had in mind in Canada;
13 could not get Canadian registry. So, unless we
14 were prepared to pay high cost for new building
15 we had to put up with it, and now we are paying
16 this year a whole lot of money out for rail
17 transportation. The point is, in one place,
18 I don't know how we are going to do it, but
19 we are trying to steam now to get our products
20 out, and we haven't got enough tank cars to
21 get our products to Charlottetown.

22 The canal is going to affect coastal
23 shipping very badly, as I see it now, in the future.
24 This year they closed the canal; it is not really
25 opened up yet for boats with more than 12 foot
26 6 inch draught, but they closed it officially,
27 even for boats of 12 foot 6 inch draught, I
28 believe, on the 21st. We had a boat in Pictou
29 that needed to go on the boat railway having
30 damaged her bow -- the Irvinglake -- and we



1 tried to get her through the canal on the 21st
2 of September, but Halifax told us not to go
3 through, it was frozen -- six or seven inches of
4 ice and we could not get through. I flew over
5 George Bay and the causeway on the morning of
6 December 24th and I saw five or six miles of ice
7 all piled up on the north side of that causeway.
8 There is no question there was ice there. In
9 the past that Strait has been the last place to
10 close up and is one of the first to open up
11 in the Spring, and oftentimes when the Cabot
12 Strait was blocked with ice we used to go
13 through the Strait of Canso and get up in behind
14 even up the north shore of Cape Breton to Cheti-
15 camp, and, in the other direction, the Northum-
16 berland Straits. We were able to get around
17 the ice, and we had two chances of doing that.
18 Now with the causeway across there and every
19 possibility of ice jamming -- I haven't seen it
20 yet in the Spring, but I saw it this Fall --
21 there is no way for that ice to get out, and I
22 think coastal shipping in the Maritimes has
23 lost a very valuable route and it may delay enter-
24 ing into the Northumberland Straits for three
25 or four weeks in the Spring.

26 MR. TEED: I think that takes care
27 of the questions asked at Toronto and this addi-
28 tional situation which has developed this
29 Fall.

30 MR. MUNDELL: There are one or two



1 questions I would like to ask, and I suppose I
2 should address them to you, Mr. Irving, if I
3 may. You mentioned that a number of the ships
4 referred to were engaged in your own operation.
5 Could you be a little more explicit about "your
6 own operation"?

7 MR. IRVING: Yes. I am interested in
8 a number of companies and they have from time
9 to time products to be transported; that is,
10 oil or pulp or tanks or steel or pipe --
11 whatever it may be.

12 MR. MUNDELL: Bulk and general cargo?

13 MR. IRVING: That is correct.

14 MR. MUNDELL: That has satisfactorily
15 answered my question. The next thing you men-
16 tioned was having a number of tugs: What
17 operations are they engaged in?

18 MR. IRVING: With the exception of one,
19 they are all engaged in the towing of wood down
20 the Saint John River.

21 MR. MUNDELL: They are not sea-going --
22 they are not used as that?

23 MR. IRVING: Yes, they are sea-going
24 tugs and they have made the odd trip outside.
25 They towed the Molly G, which I referred to,
26 over to Digby; but generally they are used
27 for towing pulpwood down the river, and next
28 year pulpwood and logs.

29 MR. MUNDELL: And the Molly G is now
30



1 a barge; is she used for pulp?

2 MR. IRVING: No, she is used as an oil
3 barge.

4 MR. MUNDELL: And the Otterhound and
5 Seekonk, are they both tankers?

6 MR. IRVING: Yes, the Otterhound we are
7 making into a bunker C oil barge.

8 MR. MUNDELL: And the Irvingbrook, the
9 18,000 tonner, can you explain the advantages of
10 having her registered under Panamanian registry?

11 MR. IRVING: The boat was built in
12 Germany; she was foreign-built. I suppose,
13 firstly, if we brought it under Canadian regis-
14 try we would have to pay duty. We may have been
15 able to get permission to bring it in, I don't
16 know, but I would say we could stop right there
17 and say we don't want to pay duty.

18 MR. MUNDELL: I was trying to find out
19 all the advantages, if there are others?

20 MR. IRVING: Yes.

21 MR. MUNDELL: How was she manned?

22 MR. IRVING: A German crew.

23 MR. MUNDELL: And the four Canadian
24 registry vessels you have, the Rexton Kent, the
25 Irvingwood, the Irvingdale and the Irvinglake,
26 how are they manned?

27 MR. IRVING: All Canadian crew.

28 MR. MUNDELL: And the others, the Otter-
29 hound and the Seekonk, are the same?

30 MR. IRVING: Yes.



1 MR. MUNDELL: All Canadian registry and
2 all Canadian crew?

3 MR. IRVING: Yes.

4 MR. MUNDELL: You mentioned a number of
5 them had gone out in foreign trade: how do you
6 find you can compete in foreign trade when the
7 Commissioner has been told that Canadian ships
8 manned by Canadian crews just cannot do it?

9 MR. IRVING: Well, I might say we have had
10 difficulties at times. I remember we converted
11 five steam-driven Corvettes to diesel freighters
12 after the war. One was in the Flower class
13 and the others were the smaller Corvettes. We
14 powered them with diesel engines and they had
15 cast iron crankshafts, and we went ahead with
16 the job and had them converted under Bureau
17 Veritas classification and tried to register
18 them in Canada, but Canada Steamship refused to
19 register them because they said the engines
20 had cast iron crankshafts. When we bought the
21 engines we had American Bureau of Shipping cer-
22 tificates for the engines. We knew that cast
23 iron crankshafts were extensively used in
24 diesel engines, but Canadian Steamship Inspec-
25 tion refused to licence these boats, so we first
26 registered them in Newfoundland, but in April
27 1949 when Newfoundland came into Confederation
28 we took the boats out -- as a matter of fact,
29 we took them out ahead of time -- and we regis-
30 tered them at Nassau, and eventually Canadian



1 Steamship Inspection recognized cast iron crank-
2 shafts and we brought these five boats back to
3 Canadian registry but we had some difficulty
4 in that, and we were forced to operate these
5 boats outside. We didn't think it was right,
6 but we claimed it was long-distance management,
7 and it was easy for Steamship Inspection to say
8 "no". We never broke a crankshaft. We lost
9 one of the boats, which went ashore off Newfound-
10 land. It was carrying fish at the time down to
11 Porto Rico; we lost that one. One of the other
12 boats we sold; it went down the Pacific Coast
13 into the tuna fish trade. The other two we sold
14 to Canada Coastal and they are now trading
15 between Halifax and St. John's, Newfoundland,
16 and in the summertime probably from Montreal.

17 MR. MUNDELL: You found you could compete?

18 MR. IRVING: Yes, we found we could
19 compete. It is not easy; you have to watch
20 everything, and sometimes you don't make out,
21 but we found over the last few years that we
22 haven't made any big profit but we have gotten
23 by.

24 MR. MUNDELL: You mentioned you had them
25 operating in the Maritime regions or even on
26 the Lakes during the summer season, and then
27 they go south for the winter to operate on other
28 routes: do you find it difficult to make those
29 arrangements when you can operate them in the
30 winter season in that area? The point is, we



1 have been told that composite vessels will operate
2 in the Lakes in the summertime and elsewhere in
3 the winter; I was wondering what your opinion is
4 in relation to that type of operation?

5 MR. IRVING: Yes, if we build boats for
6 operating along the Atlantic Coast they have to
7 be built slightly different from those, perhaps,
8 which are for use on the Lakes and the St. Law-
9 rence River, and boats we build for use along
10 the Atlantic seaboard will naturally have to be
11 a bit sturdier and will cost more to build, but
12 if they get used on the Atlantic seaboard, they
13 can certainly go foreign.

14 MR. MUNDELL: How do you get your busi-
15 ness in the Caribbean, and so on? Is it under
16 contract, or tramping?

17 MR. IRVING: You might call it tramping.

18 MR. MUNDELL: Do you charter?

19 MR. IRVING: Well, usually there is
20 certain business that you can get. Sometimes
21 it is very difficult to get, and then it is a
22 matter of simply meeting competition or going
23 a little better than your competition to get the
24 business. We try to select what business is
25 most suitable for the boat and will give the
26 greatest return taking everything into account,
27 and then you close that deal. It may be a char-
28 ter; it may be carrying a cargo, or it may be
29 chartered and out on time charter.

30 MR. MUNDELL: You find that you can



1 keep your ships pretty well engaged in that way?

2 MR. IRVING: I think since we built our
3 boats that we have not actually tied up our
4 boats -- maybe the Irvingdale for two or three
5 months at the most since 1946; I think that is
6 the most we have ever had tied up. We could
7 have operated her, I think, but we wanted to do
8 certain things. The Rexton Kent perhaps lost
9 altogether six months since we converted her, and
10 I think that is about all.

11 MR. MUNDELL: You find that Canadian-
12 built vessels operated by a Canadian crew can
13 compete in these Straits and make some profit?
14 That is your experience?

15 MR. IRVING: Yes, but it is not an easy
16 task at times.

17 MR. MUNDELL: One of the things I was
18 going to ask you to clarify left over from
19 the Toronto hearing was that Mr. Teed put your
20 submission that you were prepared to accept the
21 status quo, but you didn't feel coasting trade
22 should be thrown open to all foreign shipping: if
23 you can compete, I wondered why you objected to
24 that?

25 MR. IRVING: Well, I wouldn't like to
26 see all foreign boats come in the coastal trade.
27 I don't think that is good. I certainly don't
28 want to see British boats shut out, because the
29 cost of operating British boats is not the lowest
30 cost by any means, and I think theirs is pretty



1 fair competition. There are some foreign countries,
2 though, that have very, very low costs, and I
3 don't think we should be subject to their competi-
4 tion. Another thing, too, is that we do need
5 coastal boats in the Maritimes to serve a lot of
6 points, and that particularly applies to Newfound-
7 land, and if they don't have reasonable low-cost
8 water transport I don't know how they will ever
9 get their supplies in.

10 MR. MUNDELL: You are suggesting a com-
11 promise -- some competition?

12 MR. IRVING: Yes, but not unlimited;
13 don't open it to boats of all flags. With the
14 U.K. I think we are going far enough. If they
15 wish to use foreign boats, let them bring them in
16 provided they pay duty.

17 THE CHAIRMAN: Foreign boats, non-United
18 Kingdom boats, are subject to duty now.

19 MR. MUNDELL: 25% duty.

20 MR. IRVING: Yes, that is correct. Well,
21 continue with that practice.

22 MR. MUNDELL: They can only come in now
23 as foreign-built British ships, and you say,
24 if they are thrown open, charge them duty when-
25 ever they come in?

26 MR. IRVING: Yes.

27 MR. MUNDELL: It has been suggested that
28 really there are only two logical courses:
29 either restrict the coastal trade to Canadian
30 vessels, or throw it open to the vessels of all



1 nations. There is nothing more than an historical
2 reason for permitting British vessels in, and I
3 was wondering what your explanation of that is.

4 MR. IRVING: Yes, I would say we need
5 the British bottoms and the advantage of being
6 able to use British-built boats without paying
7 duty, but we certainly should not have a lot of
8 other foreign boats in the trade with which we
9 could not possibly compete. Their boats cost
10 less to build in the first place and less to
11 operate.

12 MR. MUNDELL: You are looking at it now
13 as a ship operator. I was wondering, as an opera-
14 tor of an oil industry wouldn't you get cheaper
15 transportation?

16 MR. IRVING: Yes, you would while there
17 are plenty of boats, but if you were counting on
18 foreign boats to supply you with transportation
19 when you needed it and when there was a demand
20 for them elsewhere, you would pay right through
21 the nose.

22 MR. MUNDELL: Do you think on the whole
23 that would be more expensive, taking into
24 account you also have the ---

25 MR. IRVING: You would this winter, and
26 there are times when you would, because you
27 need a certain amount of Canadian-owned vessels
28 in the coastal trade, and you can't get
29 along without them, and I think if you opened
30 it to all foreign ships they would at certain



1 times run you right off the coast, and then, when
2 the boats were needed and in demand all over the
3 world, you would possibly be left without
4 transportation unless you paid high rates.

5 MR. MUNDELL: Would you expect on balance
6 you would save money or lose money, taking into
7 account the period of low rates as well as the
8 high rates?

9 MR. IRVING: I wouldn't know.

10 MR. MUNDELL: You don't feel you would
11 save money by that?

12 MR. IRVING: By allowing other boats in?

13 MR. MUNDELL: Yes.

14 MR. IRVING: Well, you see you have got
15 to have a certain amount of controlled transporta-
16 tion.

17 MR. MUNDELL: You would get it on long-
18 term charter?

19 MR. IRVING: Yes, but a long-term charter
20 still costs you to operate. You might long-term
21 charter these other boats, I don't know. That
22 might be a little complicated to put into prac-
23 tice. I think it would be a safer course to
24 allow British-built boats, or foreign boats pro-
25 vided they pay the duty, and Canadian-registered,
26 to operate in the coastal trade, but I don't
27 think foreign-built boats should be allowed --
28 that is, other than U.K.-built boats -- without
29 paying duty and compete with us as shipowners.

30 MR. MUNDELL: I am still not quite clear



1 why you selected the U.K.? Why not select
2 Spain or Italy?

3 MR. IRVING: Well, I would say that the
4 U.K. boats, the cost of operating a U.K. boat, is
5 more in line with our Canadian costs than I would
6 say Spain or Portugal. Those facts are all avail-
7 able and I am quite sure that is correct. You
8 might as well say Greek-owned boats or Greek-
9 registered, or some other foreign country-registered
10 boats. I know they are all operating at lower
11 costs than Canadian-registry boats, and are
12 lower in most cases than the British-operated
13 boats.

14 THE CHAIRMAN: A lot of them are subsi-
15 dized in one fashion or another.

16 MR. IRVING: That is correct. Many of
17 them are. You never know what you might get up
18 against if you allow everybody to come in.

19 MR. MUNDELL: One other thing in connec-
20 tion with these vessels: You have all-Canadian
21 registry operating in the southern seas during
22 the winter; why do you have Canadian crews on
23 them?

24 MR. IRVING: I don't know any other way
25 to operate them. It is not easy to get foreign
26 crews, and they are quite often quite expensive.

27 MR. MUNDELL: Would it be because of
28 union insistence? Would that be a factor
29 also?

30 MR. IRVING: Would you mind asking that



1 question again?

2 MR. MUNDELL: To put it baldly, you have
3 to live with the Canadian unions: is that one of
4 the reasons?

5 MR. IRVING: No, it has not affected us
6 that way. We have one boat that is organized --
7 the Irvingwood -- but the others are not.

8 MR. MUNDELL: The fact is, you find it
9 easier to get a Canadian crew than a foreign crew?

10 MR. IRVING: Yes, because I live here and
11 operate here.

12 MR. MUNDELL: Did you say that one of your
13 ships was carrying molasses?

14 MR. IRVING: Yes.

15 MR. MUNDELL: Was that in bulk or barrel?

16 MR. IRVING: Bulk. Not continuously ---
17 The Irvingdale is chartered for two cargoes of
18 molasses now from Cuba to Philadelphia.

19 MR. MUNDELL: When you mentioned putting
20 a duty on foreign-operated and built vessels,
21 would that ---

22 MR. IRVING: Other than U.K.

23

24

25 MR. MUNDELL: Yes, other than the U.K.:
26 what do you mean? The duty on the capital
27 cost?

28 MR. IRVING: Well, more or less, but
29 bring their cost in line with our Canadian-
30 owned and registered boats.



1 MR. MUNDELL: It has been suggested that
2 some of the ships coming into Canadian ports are
3 now subsidized, or may hereafter be subsidized
4 by, for example, the United States: do you regard
5 this as dangerous in relation to Canadian shipping
6 and, if so, would you have any suggestions as
7 to what might be done?

8 MR. IRVING: Well, I am not very familiar
9 with this point, but I would say a great deal
10 would depend on the amount of the subsidy, and I
11 would naturally have a fear of competing against
12 boats that received subsidies of any kind unless
13 I was sure that the subsidy would not amount to
14 very much.

15 THE CHAIRMAN: I think you do now, because
16 you have outlined a run from the Caribbean to
17 the East Coast of the United States, and surely
18 that is a typically subsidized run, and your
19 boats seem to be able to make it in competition.

20 MR. IRVING: How healthy that operation
21 is is a question. There have been times such as
22 last month when rates were U.S.M.C. plus 130,
23 and I had one last month at plus 125, another at
24 130, and one the day before yesterday at plus
25 80. You will get a few trips in at those rates
26 and, of course, that takes care of other times
27 when rates are much lower. So, I would say
28 it depends more or less on the market now as
29 to just how successful you might be. I do
30 think that a lot of the United States boats --



1 in fact, I know so -- have found it very difficult
2 to operate in competition with the foreign boats
3 even if they are subsidized in one respect or
4 another, and they have been tied up.

5 MR. MUNDELL: You mentioned if you had
6 not been able to buy foreign vessels or buy outside
7 of Canada you would not be able to carry on cer-
8 tain operations in Canada: that is simply that
9 you would not be able to do it because of the
10 high cost of ships in Canada, is that right -- in
11 effect?

12 MR. IRVING: I am not sure I understand.

13 MR. MUNDELL: You mentioned there were
14 some operations, I think in connection with oil,
15 where, if you had not been able to get vessels --
16 those are all Canadian-built, are they not?

17 MR. IRVING: Yes.

18 COMMISSIONER BELANGER: Canadian-built,
19 but some are old and bought at a very low
20 price?

21 MR. IRVING: Yes, that is correct.

22 COMMISSIONER BELANGER: That may be one
23 of the reasons.

24 MR. MUNDELL: If you could not have bought
25 second-hand older ships?

26 MR. IRVING: Yes, we got the Irvingdale
27 at quite a low figure as ships go at the time,
28 and we bought the Corvettes at a low figure and
29 converted them and spent anywhere from 250
30 to 300 thousand dollars in converting them, each



1 one. The Irvinglake, I have forgotten what we
2 paid for it, but we just got the engine room and
3 I think it was one tank forward of the engine bulk-
4 head and then we re-built the front end of the
5 boat at a cost of 600 thousand-odd dollars -- per-
6 haps 700 thousand dollars. We built the Irving-
7 wood in 1952 and she cost us 1200 thousand dollars
8 whereas we might have bought it for 750 thousand
9 dollars. We are having our problems there to
10 earn our depreciation.

11 MR. MUNDELL: You mentioned some of the
12 vessels had been in the Great Lakes: what trade
13 were they in on the Great Lakes?

14 MR. IRVING: Well, the Irvingwood made
15 20 trips; she carried wood down the St. Lawrence
16 up to Thorold, and from there she went to the
17 head of the Lakes for a load of grain, and brought
18 that down, and either picked up a load and came
19 and took that down the St. Lawrence and picked
20 up another load of wood, or she may go light
21 from Thorold; it depends where she took the grain
22 to. It would be a combination of cargoes;
23 wood, grain and perhaps coal.

24 MR. MUNDELL: Running on various legs
25 of the run?

26 MR. IRVING: Yes.

27 COMMISSIONER WICKWIRE: Do you think
28 that same type of operation will still be open
29 to you after the Seaway is completed?

30 MR. IRVING: I haven't given that any



1 thought because the boats that we have, I figure
2 we will use them on the Atlantic seaboard, although
3 I hope that there will be transportation for
4 products from Saint John such as pulp and that
5 sort of thing up into the Lakes, and I think we
6 may be able to build the demand for our pulp in
7 the Lakes if we are able to use ocean-going boats
8 in the St. Lawrence and the Lakes. I think if
9 the transportation is necessary to maintain our
10 industry, the more boats we have on call the
11 better.

12 COMMISSIONER WICKWIRE: It has been argued
13 before us very strenuously that if the United
14 Kingdom ships are permitted to go into the Lakes
15 after the Seaway, that some people go so far as
16 to say it will drive Canadian shipping out of
17 business: Have you given any thought at all to
18 that?

19 MR. IRVING: Well, no, I am not qualified
20 to answer that because people who are in this
21 shipping business, we only came into the Lakes
22 as a casual carrier and we never did plan on
23 using our boats only in the Lakes and the St.
24 Lawrence, but there are many factors that have
25 to be taken into account. It depends just how
26 the Canadian boats can be operated, and if
27 the cost of the operation is forced up for
28 any one reason or another beyond a certain
29 point, there is no question we perhaps would
30 not be able to compete, but there are so many



1 factors connected with that question.

2 MR. MUNDELL: In any event, as far as
3 you are concerned, you are not concerned about
4 United Kingdom competition? You feel you can
5 meet it?

6 MR. IRVING: Yes, we like to have the
7 U.K. boats available.

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15 (Page 5320 follows)

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THE CHAIRMAN: Yes, Mr. Gerity.

MR. GERITY: Mr. Irving, I represent the Dominion Marine Association, which is an association of Canadian lake carriers on the Great Lakes. I would like to ask you one or two questions since this is the first time you have appeared here.

The Rexton Kent at the moment although ostensibly trading in competition has a special charter, has she not?

MR. IRVING: Yes, she is on a special route, you might say, special run.

MR. GERITY: There is no other vessel running between Baltimore, New York and Bermuda to your knowledge, is there?

MR. IRVING: Oh, I think so. I would say I would think so. I am not sure. I would think there would be a number.

MR. GERITY: What size is the Rexton Kent, gross tons or deadweight?

MR. IRVING: I think about 750 deadweight.

MR. GERITY: What would be the number of the crew roughly?

MR. IRVING: I would think 15 or 16.

MR. GERITY: Are they paid union rates of wages?

MR. IRVING: Just what rates are they, then I can tell you.



1
2 MR. GERITY: Well, I should first say, Mr.
3 Irving, that we have already had Exhibit No. 172
4 from Saguenay Terminals which goes to show that it
5 costs \$94,000 approximately more to run a Canadian
6 vessel every year than it does to run it under the
7 U.K. flag. That is a 10,000-ton ship. We also had
8 put in some many months ago in this same city No. 8
9 of the C.S.L. brief, an exhibit giving wages of
10 Canadian ocean ships with the master, for instance,
11 being paid \$560 a month and so on down the scale,
12 giving a total wage bill of \$9,125 a month for an
13 ocean-going Canadian ship.

14 I was wondering if your ships have a wage
15 bill of \$9,125 a month.

16 MR. IRVING: The wage bill on the Irvingbrook
17 is over \$8,000 a month.

18 MR. GERITY: That is the ship with a
19 German crew?

20 MR. IRVING: \$8,700.

21 MR. GERITY: What I am trying to get at is--

22 MR. IRVING: The Irvingdale -- I can tell
23 you the Irvingdale.

24 MR. GERITY: Mr. Mundell put to you that
25 your four ships, the Rexton Kent, the Irvingwood,
26 the Irvinglake and the Irvingdale, were apparently
27 competing successfully on the outside and of
28 course, that is not, at least I say so, the
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1
2 evidence that has been put here in here by the
3 Canadian operators who have run ships under this
4 and that flag and under the United Kingdom flag.

5 THE CHAIRMAN: The inference might be, of
6 course, that this gentleman is doing a better job
7 of work.

8 MR. GERITY: Quite so, My Lord but I would
9 like to know how many men are on the ship and whether
10 they are paid on the Canadian Seamen Union scale.
11 That was the simple purport of my question.

12 THE CHAIRMAN: There is only one boat, Mr.
13 Irving says, that is unionized. The others evidently
14 are not subject to that benefit in Canadian operation.

15 MR. GERITY: Well, I submit, Mr. Chairman,
16 that a wage bill of approximately \$200 difference
17 per day makes a considerable difference in operating
18 ships in competition with others. That was the
19 reason why I started with the Rexton Kent and
20 asked whether there was anybody else in competition
21 in that run.

22 MR. IRVING: Well, I am sure they are
23 carrying freight, I would say.

24 THE CHAIRMAN: Whether there were other
25 boats or not, surely this boat was not the sole
26 boat that could be chartered. It had to compete
27 with others to get that particular charter.
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MR. GERITY: That may be quite so, Mr. Chairman but it also depends on the size of the vessel and the availability of vessels of that size.

THE CHAIRMAN: It is a very small vessel.

MR. GERITY: So that vessel was a small vessel with a small crew. Is that true?

MR. IRVING: Yes.

MR. GERITY: The Irvingwood, what is her tonnage?

MR. IRVING: About 3,500, 3,600 tons.

MR. GERITY: Is she a Park type ship?

MR. IRVING: The Irvingwood?

MR. GERITY: Yes.

MR. IRVING: No, she is the lake type.

MR. GERITY: A former laker.

MR. IRVING: No. She was built in Quebec at a cost of \$1,200,000 and she is what you would call a lake type. She is 258 feet long, 43 feet 10 wide and draught fully loaded is 16 foot 6.

MR. GERITY: It is more like the usual canaller.

MR. IRVING: Yes.

MR. GERITY: She is union scale paid.

MR. IRVING: Yes.

MR. GERITY: You do use that ship in the bulk trade.



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MR. IRVING: Yes.

MR. GERITY: Though at the present time under charter to the Canadian National?

MR. IRVING: Trip by trip. I think she has made four trips.

MR. GERITY: The other two ships the Irvinglake and the Irvingdale are both small tankers.

MR. IRVING: No, the Irvingdale is 10,000 tons and the Irvinglake is 3,600 tons.

MR. GERITY: Are they both paid union scale wages?

MR. IRVING: I don't know what the union scale wages are. We are paying fair wages. Everybody seems to be satisfied. We have an excellent crew aboard the Irvingdale. She is a tanker. She does not carry as large a crew possibly as a cargo boat so you would not expect her to perhaps pay quite -- or the payroll to be quite as high as a cargo boat. The crew runs from 39 to 42.

MR. GERITY: Does she carry your own products or oil for your own companies?

MR. IRVING: She has occasionally. Usually charter her out to the best advantage we can. Then we charter in if there is any advantage or we may operate her if we cannot charter it to better advantage than operating ourselves. We use her



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in our own trade.

MR. GERITY: She carries mostly crude products or refined.

MR. IRVING: No. She usually carries mostly Bunker C or molasses.

MR. GERITY: So she is available for general charter?

MR. IRVING: Yes.

MR. GERITY: Anywhere?

MR. IRVING: Yes. We keep her more or less as a backlog and when we need a boat in a hurry, if we cannot charter one to good advantage, we use the Irvingdale. We try to charter her out and we hope to come out a little ahead of the game.

MR. GERITY: Would it be true for me to say you need that vessel for purposes of your own oil company?

MR. IRVING: Not necessarily the oil company but the pulp company and we burn Bunker C in our pulp mill and we require that tonnage or we know where the tonnage is in case we need it.

MR. GERITY: Is there a certain amount of what some people call captive product involved?

MR. IRVING: No, I would not say so, not in this case.

MR. GERITY: Would you be prepared, for instance, if that vessel was not now, let us say,



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2 competitive, would you dispense with it and rely
3 on the charter?

4 MR. IRVING: Would you mind repeating that
5 question, please?

6 MR. GERITY: Supposing the vessel was not
7 operating competitively in the market, would you
8 be prepared to dispense with the Irvingdale and
9 rely on any other charter?

10 MR. IRVING: May I ask you what you mean by
11 "operating competitively"?

12 MR. GERITY: I mean if you felt that she was
13 not paying her way and you could get cheaper tonnage
14 under charter, would you be prepared to do away
15 with the ship and rely on charters for your own
16 products?

17 MR. IRVING: Yes, if we were certain of that,
18 we certainly would.

19 MR. GERITY: If you were certain of it?

20 MR. IRVING: Yes.

21 MR. GERITY: The Irvingdale, I take it, is
22 comparatively small since she trades in and out
23 of Lake Maracaibo.

24 MR. IRVING: She is 3,600 tons. That was
25 one -- no that was the Irvingwood, I believe.
26 This boat is about 258 feet long, she is 43 feet
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2 wide; again she has a draught of 16 feet 6. That
3 is her usual draught and she can be loaded I think
4 down to about 19 feet.

5 MR. GERITY: You do require though, I think,
6 is it so, a shallow draught vessel for Lake Maracaibo?

7 MR. IRVING: We do not go into Lake Maracaibo,
8 not for our own purposes. It is just that she is
9 suited for that trade so we chartered her to the
10 Largo Oil Company.

11 MR. GERITY: That is between Maracaibo and
12 Auruba.

13 MR. IRVING: Yes.

14 MR. GERITY: Is she anything like the class
15 that used to be called the Maracaibo tanker or is
16 she just an ordinary small tanker?

17 MR. IRVING: She is more or less -- she is
18 larger than what you would call a canal type tanker
19 but I do not know that you can -- I do not see why
20 or know why we would call it a Maracaibo tanker.

21 MR. GERITY: There used to be -- it is not
22 of any interest to the Commission -- a class of
23 vessels before the war that were called Maracaibo
24 tankers.

25 MR. IRVING: I believe there was one time
26 the harbour was quite shallow and I think they
27 did -- I know they did up to three or four years
28 ago require shallow draught boats. They dredged
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2 the harbour --.

3 MR. GERITY: The original ones, I think,
4 were turned into landing ships. They were the
5 first ones ever used. In your own business, as an
6 oil company, do you require as small a tanker as
7 the Irvinglake to get into the small ports and
8 carry your smaller products?

9 MR. IRVING: She is not what we would consider
10 a coasting tanker. She is in fact rather a large
11 one. The Seekonk size is more what we would call
12 a small coastal tanker and she is used to get into
13 small shallow ports.

14 MR. GERITY: Generally speaking is there
15 much tanker tonnage available of the smaller size
16 on the market.

17 MR. IRVING: The Canadian registered or
18 foreign?

19 MR. GERITY: Let me put it another way.
20 In the oil company business, if you were not the
21 owner of vessels, and you were looking around to
22 charter small tankers to go to the smaller ports,
23 would there be many available on the market?

24 MR. IRVING: Not too many at times of
25 Canadian registry. A lot of foreign registered
26 boats but not boats that are permitted in the
27 coasting trade, although there are some.
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2 Right now there are several on the East -- or
3 perhaps I am not sure. I would think one or two
4 on the East Coast that would be available for
5 cargoes.

6 MR. GERITY: Do you know of any United
7 Kingdom registered small tankers that are ever avail-
8 able for charters; ones that can trade on this
9 coast legally?

10 MR. IRVING: I know there are a lot in
11 England. I don't know -- I have not been offered
12 one lately. I know there are a lot of that type in
13 the United Kingdom.

14 THE CHAIRMAN: There are half a dozen at
15 Three Rivers, are there not?

16 MR. IRVING: Well, there are some on the St.
17 Lawrence that were used on the Lakes this summer.
18 There are, I believe, two in Halifax right now that
19 are being used at the time, I believe.

20 MR. GERITY: Mr. Irving, what I really
21 wanted to know was, operating these vessels as
22 you do and presumably competitively in the various
23 markets and in view of the information we have
24 had about these wide disparities in the cost of
25 the boats, \$94,000 a year and so on; the transfer
26 of practically the entire Canadian merchant fleet
27 to United Kingdom registry; is it true for me to
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2 say that in the general business that you conduct,
3 that is the pulp and paper and oil and so on, that
4 you require some vessels in your business.

5 MR. IRVING: Yes.

6 MR. GERITY: Thank you.

7 THE CHAIRMAN: Any further questions?

8 MR. TEED: I have one or two questions.

9 THE CHAIRMAN: Yes, Mr. Teed.

10 MR. TEED: Mr. Irving, you made a remark,
11 not to me but in the course of your answers to other
12 parties who were asking questions, with respect to
13 the long distance management, I think, and you were
14 speaking of the difficulties with cast iron crank-
15 shafts. Have you any other difficulties that you
16 have experienced with what you call long distance
17 management?

18 THE CHAIRMAN: What is the relevance of this
19 in re-examination, Mr. Teed?

20 MR. TEED: Pardon, Mr. Chairman.

21 THE CHAIRMAN: What is the relevance of
22 this in re-examination? I did not think we
23 were engaged in an investigation of the Canadian
24 National Railway, you know. It does not seem
25 to be within the terms of reference.

26 MR. TEED: If you think, Mr. Chairman,
27 you would not be interested in that -- it was
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2 not in response to my questions.

3 THE CHAIRMAN: No, I know.

4 MR. TEED: That was something that came up --.

5 THE CHAIRMAN: Are there any further questions
6 then? Well, we will adjourn until 10 o'clock to-
7 morrow morning when the argument will commence.

8 PROF. JACKSON: Mr. Chairman, may I have
9 one moment; not to question --

10 THE CHAIRMAN: Yes.

11 PROF. JACKSON: Two questions were asked in
12 yesterday's hearings, two questions of fact. The
13 first, I think, by the Chairman, and the second by
14 Mr. Wickwire. You, sir, asked if we knew what was
15 the importance of the coasting trade of the United
16 States between the mainland of the United States
17 and overseas territories and possessions and we
18 could not answer that very pertinent question on
19 the spot; but there is a table in the Statistical
20 Abstract of the United States, 1955 which answers
21 that question precisely or as far as it can be
22 answered and what we have done is to copy the
23 entire table although there are only four figures
24 which bear on the question which you raised.

25 The answer is that from 1950 onwards --
26 not earlier than that, particulars have been
27 kept of the volume of this coasting trade of
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2 the United States between the mainland and overseas
3 territories and the tonnage involved is quite
4 trifling; so I should like to be permitted to file
5 this first of two final exhibits by the Ship-
6 builders Association. May I hand it over?

7 THE CHAIRMAN: Yes. That will be Exhibit
8 233.

9
10 ---EXHIBIT NO. 233: Statistical abstract of the
United States, 1955.

11
12 MR. MUNDELL: Are there two there or one?

13 PROF. JACKSON: There is one, sir, and one
14 to come.

15 MR. MUNDELL: Exhibit No. 233 is "Canadian
16 Shipbuilding and Ship Repairing Association. Water-
17 borne Commerce of the United States -- cargo tonnage,
18 foreign and domestic: 1947 to 1953".

19 PROF. JACKSON: The other question, sir,
20 which was raised, I think, by Commissioner Wickwire
21 was as to the importance of the package freight
22 traffic in the coasting trade of the United States;
23 whether that package freight traffic is expanding
24 or otherwise.

25 I did not know whether this information
26 could be made available and we talked at some
27 length yesterday to Washington and having identified,
28 with some difficulty, a certain individual, we
29 find the information can be obtained.
30



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2 It is accordingly being put in the mail
3 in Toronto and subject to your permission I
4 hope I can put this in as the final exhibit to-
5 morrow morning. May I do so?

6 THE CHAIRMAN: Yes.

7 PROF. JACKSON: Thank you very much.

8 THE CHAIRMAN: Then tomorrow morning the
9 argument will be in accordance with the schedule.

10 MR. MUNDELL: I believe there has been some
11 discussion between the various parties as to a
12 possible re-arrangement, subject to your direction.

13 THE CHAIRMAN: Just simply let me know
14 tomorrow.

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16 ---The hearing adjourned at 4.25 P.M.
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ROYAL COMMISSION ON COASTING TRADE

VOLUME 17

PART C

Report of Ottawa Sitings
commencing January 4, 1956
(for rebuttal or supplementary
evidence)

pp. 5334 to 5496





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Take A
JC
Jan. 6/56

FRIDAY, JANUARY 6th, 1956

---On resuming at 10.00 A. M.:

A R G U M E N T

THE CHAIRMAN: Yes, Mr. Mundell?

MR. MUNDELL: Mr. Chairman, there was one exhibit that has yet to be filed by the Shipbuilding and Ship Repairing Association. It is not ready today and will be coming forward later, but that will conclude the submission of factual representations to the Commission. There^{re} ~~re~~ mains only argument.

The order of argument is that which was set out in the notice which was sent out to the parties. The first party is the Government of Newfoundland. Mr. Lewis.

ARGUMENT ON BEHALF OF THE GOVERNMENT
OF NEWFOUNDLAND BRIEF.

---The Honourable P.J. Lewis, appearing.

THE CHAIRMAN: Yes, Mr. Lewis?

MR. HUNT: Mr. Chairman, before Mr. Lewis presents his argument, I would like to apologize to the Commission because the brief mentioned dealing with the cost of waterfront handling of goods in St. John's was not forwarded. I



1 apologize for any inconvenience or upset in
2 arrangements that it may have caused the Commis-
3 sion.

4 MR. MUNDELL: Mr. Chairman, I should have
5 mentioned that all the original exhibits are here
6 and available for the Commission, and there are
7 extra copies of the exhibits that were filed in
8 the last two days available with the Secretary
9 if anybody wishes them.

10 THE CHAIRMAN: Mr. Lewis, please.

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THE HON. P.J. LEWIS

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15 MR. LEWIS: Mr. Chairman, Gentlemen of
16 the Commission. I must confess, Mr. Chairman,
17 that I am really at a loss as to how I should
18 approach the argument which we are expected to sub-
19 mit to you today.

20 The reason for my making that statement is
21 that we have already on the record before your
22 Commission, both in the form of a brief from our
23 Government and supplemental evidence, which was
24 subsequently introduced, brought forth the facts;
25 at least the salient features as far as we see
26 them which have a bearing upon the position of
27 Newfoundland in relation to this Commission's
28 inquiries.

29 So, Mr. Chairman, I certainly do not wish
30 to be repetitive in what I have to say here any



1 more than I possibly can.

2 I propose to deal as concisely as possible
3 with what we concede to be the predominant fea-
4 tures of the Newfoundland case. I should welcome
5 any comments from you, Mr. Chairman, or from your
6 fellow Commissioners which you may care to make
7 in checking me if you think I am going over a field
8 that has already been covered to your satisfac-
9 tion.

10 Now, Mr. Chairman and gentlemen, I think
11 that our position insofar as the Province of New-
12 foundland is concerned can be stated very briefly.
13 That is, insofar as this particular inquiry is
14 concerned, we -- and when I say we I mean New-
15 foundland -- occupy a unique position insofar as
16 the Canadian Federation is concerned. It is
17 unique in two ways. Firstly, geographically;
18 and secondly, economically. Because of these two
19 factors, which are fundamental, we submit, with
20 the greatest respect, that Newfoundland must be
21 considered as in a very special category and be
22 entitled to a consideration that may be a little
23 unorthodox insofar as the formation of a trans-
24 portation policy for Canada is concerned.

25 I want to say at the outset insofar as
26 we are concerned we have sympathy, great sym-
27 pathy, with those important interests in Central
28 and Upper Canada who are advocating restriction
29 of our shipping laws. We can see their posi-
30 tion. We appreciate the fact that they



1 represent substantial capital investment and we
2 also appreciate the fact that up until now, and
3 within the immediate future at any rate, they have
4 enjoyed an especially protected position due to
5 the natural barriers that the Lord created across
6 the entrance to the Great Lakes System.

7 Now, because of this proposed policy of
8 deepening the St. Lawrence Seaway, they suddenly
9 find themselves exposed to world competition. That
10 is very fair and they are perfectly within their
11 rights, as we see it, in asking this Commission
12 to recommend to the proper authority that the
13 privileged position which they have enjoyed up
14 until now should be perpetuated in the future
15 when the water system of Canada has been changed.

16 We, on the other hand, are in a somewhat
17 similar or parallel position. We live on an
18 island and the same Creator who made the Great
19 Lakes System and the tremendous natural waterways
20 that you enjoy in Canada, also created for us a
21 natural medium of transportation, and that is by
22 way of salt water between Newfoundland and the
23 mainland of Canada, and we consider, Mr. Chairman
24 and gentlemen, that that natural right, that
25 natural God-given right, which is ours in the
26 way of water transportation should not be abro-
27 gated, should not in any way be changed, nor
28 should our position be prejudiced by artificial
29 legalistic means even though certain other inter-
30 ests in Canada may agitate for it.



1 You gentlemen have been in Newfoundland.
2 You have heard our story. You know that our econ-
3 omy is a rather peculiar one and I think it is
4 a unique economy insofar as the Canadian system
5 is concerned. We are a primary producing area.
6 Our wealth consists of natural products of the
7 sea, the forest and mines. Our markets are ex-
8 ternal markets, external to Canada. We have to
9 trade with the world in general and the dollars
10 that we produce and that we collect from outside
11 the four corners of Newfoundland we spend here in
12 Canada for the simple reason that our source of
13 supply is here.

14 Prior to the island having been confederated
15 with the mainland, our trade operated in a differ-
16 ent way. We then bought and sold in world
17 markets. We purchased our requirements largely
18 from the United States of America, secondly in
19 Canada and in the United Kingdom.

20 Because of the fact that we became part
21 of the Canadian Federation that situation changed
22 overnight, and as a result today we are purchasing
23 ninety-odd percent of our requirements right
24 here in Canada, and, Mr. Chairman and gentlemen,
25 our sources of supply are not from Canada gener-
26 ally, but specifically from Upper Canada. In
27 fact, our purchases in Newfoundland last year
28 were in the range of \$150 million to \$200 million.
29 Our transportation tonnage, lifting from Canada
30 into Newfoundland was something in excess of



1 one million tons.

2 Our position trade-wise in relation to the
3 export movements, and considering the position as
4 distinct from the export markets, places us far
5 along the list as being your third most important
6 purchaser of your goods.

7 Now, these things add up to this fundamen-
8 tal fact, that we are dependent upon you, absolutely
9 and entirely, for our sources of livelihood, for
10 our sustenance of life, for our food and our
11 clothes; and because we are an island we have to
12 transport every ton of that by water.

13 The position has been, up until recently,
14 that we were free to use and utilize any ships,
15 any bottoms that we would require in any part of
16 the world we could get them in. Since Confedera-
17 tion, as you know, that situation has changed
18 and because of the Commonwealth Shipping Agreement,
19 we are limited to two classes of ships, Canadian
20 flag and British bottoms.

21 Now, the British bottom situation is one
22 that is vital to us because of the competitive
23 effect that it produces in relation to our traffic
24 problems.

25 When we entered into Confederation under
26 the Terms of Union, the movement by rail into
27 Newfoundland across the Gulf of St. Lawrence was
28 constituted an all-rail movement, and because of
29 Confederation we became entitled to the all-rail
30 structure that formerly had been enjoyed by the



1 Maritime region.

2 In 1951 as the result of an application to
3 the Board of Transport Commissioners by the Govern-
4 ment of Newfoundland, the Board of that day decided
5 that Newfoundland was entitled to the same ratio
6 of rates as obtained in relation to the Maritimes.

7 That, as you know, is in itself a peculiar
8 thing. I do not think anything else exists
9 similar to it in any other part of Canada where you
10 have an artificial system of rail rate fabrication
11 constituted and predicated upon a basic rate plus
12 a system of arbitraries for Newfoundland, and
13 those arbitraries were extended into St. John's
14 and across the Island of Newfoundland.

15 We have a service for the purposes of rail
16 transportation which constituted a rail link move-
17 ment between Sydney and Port aux Basques which was
18 an all-rail movement.

19 We have no quarrel with the railways in
20 relation to the railway rate structure that ob-
21 tained in relation to Newfoundland. I would like
22 to make that statement publicly before this Com-
23 mission. I think that insofar as those rail
24 rates are concerned, we are getting a very fair
25 deal and we have no reason to grumble.

26 That is all right, as far as it goes, but
27 something else enters into the picture. Side
28 by side with the railway, which, incidentally, is
29 not capable of handling the volume of traffic
30 that has developed between the mainland markets



1 and Newfoundland; side by side with that we have
2 our natural water facilities, but, Mr. Chairman,
3 we have never been able since Confederation to
4 get the full benefit of the impact of that water
5 transportation.

6 The reason that we have not been able to
7 get that is this: Firstly, the system that ob-
8 tained for the lifting of traffic out of the Lakes
9 and beyond Montreal up to, I think it was 1951,
10 consisted entirely of rail movement bolstered by
11 certain shipping agencies that operated out of
12 Montreal. We had no direct shipping lines opera-
13 ting into the Lakes, and as a result, of course,
14 the position was that very little competition
15 entered in. Then that was followed almost immed-
16 iately after our entry into Confederation with
17 an arrangement which was entered into between
18 certain water carriers and the railways, which we
19 know locally as the Conference Agreement. That
20 arrangement embraces certain lines that had been
21 operating before between mainland ports, Halifax,
22 Saint John and Montreal; whereby the railways
23 agreed with these water carriers that they would
24 pass over to them a certain volume of traffic
25 that was moving into Newfoundland in considera-
26 tion for a division of rates being agreed to be-
27 tween the water carriers and the railway.

28 The effect of that was that the water, the
29 natural water competition which the Province nor-
30 mally would enjoy was taken away, at least, it



1 was reduced. The advantage was reduced for this
2 reason.

3 It is true that the railways were not in
4 a position to move all the traffic that was offer-
5 ing, and neither are they today, and it was because
6 of that fact that they were required and obligated
7 to look for outside agencies to help move that
8 traffic. If it were not for the fact that these
9 outside agencies were approached to enter into
10 an agreement, I do not know what would have
11 happened. At any rate, they did, but this is a
12 two-edged sword for the simple reason that, in
13 consideration of the water carriers lifting the
14 goods, the water carriers on the other hand are
15 obliged to maintain a scale of rates that are
16 tied more or less to the rail rate. That situa-
17 tion obtained and still obtains in relation to
18 certain carriers operating both from Montreal and
19 from the Atlantic Coast ports.

20 Then came the British package freighter.
21 The system was first instituted by a firm called
22 Newfoundland-Great Lakes, who operated out of
23 the Great Lakes ports, by-passed Montreal, direct-
24 ly to St. John's. They in turn were followed
25 after a year or two with another line of British
26 freighters, and the result of these two units
27 operating out of the Lakes, the railways were
28 compelled to put in a competitive rate to cover
29 the traffic originating from points west of
30 Montreal.



1 That competitive rate, Mr. Chairman and
2 gentlemen, was in effect and is maintained in ef-
3 fect during the summer season while the rivers
4 and lakes are open only. Immediately the lakes
5 and rivers are frozen up and navigation closes the
6 flag goes down and the rate goes back to the normal
7 rail rate, with the result that, insofar as winter
8 movements are concerned, and our movements from
9 Canada to Newfoundland is an all-year-round one --
10 the competitive position is removed in winter and
11 we are back to the normal structure.

12 That, Mr. Chairman, points out one very
13 important factor which is vital to us, namely that
14 the British flag ships have been the compelling
15 feature for bringing about what we consider to be
16 more normal rates on our traffic moving from
17 Upper Canadian ports into Newfoundland. If these
18 ships were debarred from operating into the Great
19 Lakes area, there is not the slightest doubt in
20 our minds that this is what would happen. You
21 would have -- and incidentally we should say -- I
22 should say those are not members of the so-called
23 Conference Agreement. Remove these ships from
24 the Great Lakes and river areas and you will have
25 a position where only Conference lines boats
26 will be operating out of the river and Lake ports
27 -- I should not say Lake ports, the river ports,
28 because the only ships that are operating out
29 of the Lake ports today, as far as we are con-
30 cerned directly, at any rate, are the Constantine



1 and Great Lakes ships.

2 You would then have a position where
3 Canadian flag ships operating to Newfoundland from
4 Canadian ports would be lifting cargo on their
5 Conference lines rates which would mean that our
6 competitive factor again would be practically des-
7 would
8 troyed. We/have the most anomolous position of
9 having our traffic moved by water on rail rates.
10 May I submit, Mr. Chairman and gentlemen, that is
11 a position that we cannot accept. It is a posi-
12 tion that should not be tolerated because we
13 all know that the standard of rate applicable
14 to water movement is naturally on a lower rate
15 basis than rail or land movement, and we are sub-
16 mitting to you, with all the force that we can,
17 that since we have to purchase from you practically
18 100 percent of our requirements, and since we
19 are an important customer of yours, and since
20 Canada requires outlets for her manufactures and
21 for her goods, that we are entitled to be protec-
22 ted insofar as that trade is concerned.

23 We are entitled to the freedom of the
24 seas, so to speak; to the freedom of trade as far
25 as shipping is concerned, and that we should be
26 permitted to continue to use British flag ships
27 in that very important avenue of our trade.

28 That is one side of the picture. That
29 deals with the inside movement or inward move-
30 ment to Newfoundland from Canada, but there is
another feature which is equally important to us;



1 in fact, it is vital to us, and that is westbound
2 or outward movement for our products.

3 It is true, Mr. Chairman and gentlemen,
4 that up to this moment the sale of our goods from
5 Newfoundland into the Canadian mainland markets
6 has not been very startling, but it does not follow
7 that that situation is not going to change. We
8 look forward in the course of time to be able to
9 drop into your markets here our products from New-
10 foundland. I do not necessarily mean manufactured
11 products.

12 I will deal, first, with some of the so-
13 called natural products, the products of the sea.

14 Our sea production of fresh fish fillets
15 is, I would say, at least tremendous, and it has
16 gone ahead within recent years with startling rapid-
17 ity. It is a production now that reaches into
18 millions of pounds but that production is marketed
19 almost exclusively in the United States of
20 America.

21 Now, we have had up to the moment to move
22 that product in our own bottoms, that is by pri-
23 vate carriers owned by our producers, but recently,
24 within the last year, an attempt has been made,
25 with some success, to move that product in
26 chartered bottoms, and I think recently one ship
27 has been especially designed for the purpose of
28 moving fresh fish products into the Lakes. She
29 is a British flag ship. She is owned by the
30 Great Lakes Steamship Company and she is peculiarly



1 fitted, designed and constructed for our trade,
2 and specifically our fish trade.

3 That market is growing. Considerable quan-
4 tities of our fish are finding a market in the
5 Canadian mainland. Great efforts are being made
6 by our producers in the hope that that market
7 will expand and develop. We have a good product;
8 a product that can sell itself, I feel quite con-
9 fident, can sell itself if it can be laid down
10 in the markets of Upper Canada at a reasonable
11 cost. But the only way we can do that is to be
12 able to take advantage of our God-given right to
13 water transportation; to be able to get into the
14 heartland of Canada and into the perimeter of
15 the industrial center of the United States with
16 the cheapest form of water transportation.

17 If we are precluded from being able to
18 operate these vessels or charter British flag
19 ships, then, Mr. Chairman and gentlemen, we are
20 beaten before we start. We have to turn our
21 backs upon the Canadian market. We have to con-
22 tinue to sell our fish in the American markets
23 in the face of strong, as you know, competition;
24 competition from producers who are nearer to the
25 markets, even here on the mainland of Canada,
26 than we are, and who have a short haul advan-
27 tage over our position.

28 But, be that as it may, give us a free
29 hand to utilize our water facilities and we can
30 continue to develop and expand our fresh fish



1 markets in this area.

2 There again the same thing can be said in
3 relation to other industries, our mineral products.
4 You have had on the record here from witnesses
5 who have appeared before you in St. John's, who
6 told you of the marginal nature of certain of
7 our mineral industries, fluorospar particularly,
8 and you were told that -- cement also -- you were
9 told that it was because of the fact that British
10 flag ships could be used to move those products
11 into this market here that these industries were
12 able to survive and expand.

13 The pulp and paper -- we have, as you know,
14 a substantial development of pulp and paper indus-
15 try in Newfoundland, both with regard to Bowater's
16 operations and the Anglo-Newfoundland development
17 at Grand Falls.

18 Bowater's is a very important industry in
19 our country. It is vital to our economy. It
20 gives employment to thousands of our people; they
21 own their own ships -- not all of them, but they^{have}/
22 one, a new one just built and another one on the
23 stocks.

24 They utilize various flag ships for the
25 purpose of moving their product, but it is im-
26 portant to them, I think, that they be able to
27 utilize their ships with freedom of movement, as
28 they express it in their brief, and, if neces-
29 sary, be able to send them out of Bowater; or when
30 it is coming up into the Great Lakes area with



1 their products to trade, if you will, within that
2 area in the future.

3 So, Mr. Chairman and gentlemen, our posi-
4 tion, therefore, is that freedom of traffic, free-
5 dom of navigation within the river and Lakes, is
6 vital to Newfoundland. Without it we cannot sur-
7 vive. With it we can prosper and develop.

8 I can say here that the population of New-
9 foundland is increasing very fast. I can also
10 say here that the economy of the Province is also
11 developing very fast. It is broadening. Our
12 people are prosperous and we want to keep them so,
13 but we can only keep them so if we can take ad-
14 vantage and utilize, without restriction, the
15 facilities which are ours.

16 Now, I would like to comment upon one or two
17 points that affect us and which emerged from cer-
18 tain briefs that have been submitted before this
19 Board. One of them emerges from the submission
20 of the railways, the Canadian Pacific Railway and
21 the Canadian National Railway, in relation to
22 amendment and extension of the Transport Act.

23 It has been suggested there, with some
24 seriousness, and, no doubt, good grounds, that the
25 scope of the Transport Act be extended to in-
26 clude all coastwise shipping, and in fact the
27 Canadian National Railways suggest that the ton-
28 nage be reduced from 500 to 100 tons.

29 They also suggest that bulk cargo, as de-
30 fined in the Transport Act, be changed and be



1 included within the regulation.

2 Well, Mr. Chairman and gentlemen, the impli-
3 cations of such a suggestion are to us almost
4 horrifying. In order to appreciate just exactly
5 what the impact of such a suggestion would be, if
6 it were ever implemented, let me paint this picture.

7 Our people in our Province, 140,000 of them
8 live on the perimeter of the island; that is
9 around the coastline of Newfoundland, settled in
10 small bays, coves, inlets and harbours, and they
11 are not served by transportation facilities such
12 as you people can conceive of in this area. In
13 fact, many of them are not touched by roads at
14 all. Some of them have roads that are of a very
15 inferior nature. We have one narrow-gauge railway
16 across the country which is the only means of
17 internal transportation for the goods that are
18 consumed by these people, and all the products
19 that are produced by these people have to move
20 by water; that is, water around the coastline
21 now, and for that reason we have what is known in
22 Newfoundland as local coasters.

23 A local coaster is a small vessel ranging
24 in tonnage from 350 down to around 75. The
25 great bulk of them were formerly Grand Bank
26 fishermen. A Grand Bank fisherman is a vessel
27 with tonnage ranging anywhere from 120 to 150
28 tons, 147 or 48 tons; built in Lunenburg, Nova
29 Scotia.

30 These vessels carry on a most important



1 trade insofar as our people are concerned because,
2 as I say, they distribute to them their require-
3 ments or needs and they take from them their
4 products for concentrated shipment through St.
5 John's or other export ports.

6 They have to move for the purposes of fish-
7 ery, salt in bulk from the salt depot. They have
8 to move for the purposes of heat and heating, coal
9 from North Sydney in bulk. They have to move
10 back to the shipping centers the salt fish in
11 bulk or in packages, as the case might be.

12 Now, they operate in small coves, hamlets
13 and harbours where there are no, or very few,
14 facilities such as docks, wharves and piers.

15 The only other service that operates
16 around our coast for the purpose of serving our
17 people is the Canadian National Steamship service,
18 which does a good job but they only touch certain
19 specific points. The boat operates on a schedule
20 and the first thing I would like to say, Mr.

21 Chairman, in regard to that is that these boats
22 do not handle bulk cargo. They are all pack-
23 age freighters, passenger and freight, and they
24 enter certain specified ports and they do not
25 serve or trade with the smaller areas, coves or
26 hamlets as the case might be, where the great
27 majority of our people who are on the perimeter
28 of the coastline reside; so that if you were to
29 regulate, as these briefs submit, the coastal
30 trade of our country in our Province it would



1 mean that all those small coasters would be subject
2 to regulation of the Transport Board.
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10 (Page 5365 follows)
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2 They would all be regulated to defined
3 tariffs, and they would be subject to various
4 regulations and regulatory authority that obtains
5 in areas where regulation is required. I can
6 imagine and see the reasons why in the areas
7 bordering on the Great Lakes, where you have a
8 highly developed competitive system of transport --
9 railroad, roads and otherwise -- where regulation
10 of inter-coastal carriers may be very well
11 justified. I am not qualified to speak on that,
12 but we are qualified, we believe, to speak in
13 relation to our own area and we do so with all the
14 conviction of which we are capable and with all the
15 force with which we can. The extension of
16 the Transport Act to Newfoundland, with all that
17 that implies, would create such a condition of
18 chaos in our local transportation system that I
19 think, sir, it would be disastrous; in fact, I
20 feel it would be disastrous. The position actually
21 is this, that with the coming of Confederation
22 and the imposition of the C.S.A. regulations, that in
23 the Newfoundland coasting trade more confusion and
24 consternation resulted, so much so that the Board
25 of Transport Commissioners, I believe it was,
26 were good enough to send down special representatives
27 to Newfoundland to study this position, and as a
28 result of their studies they did modify the situ-
29 ation in so far as it applied to our coastal
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2 people and did help straighten out what was at one
3 time a most confusing situation. However, the
4 imposition of the Canadian Steamship regulations,
5 inspection regulations, on the Newfoundland coastal
6 fleet would be as nothing compared to the impact of
7 bringing in the Transport Act, and I submit that
8 whatever has to be said about other areas, that in
9 so far as Newfoundland is concerned it should be
10 sacrosanct and untouched because the coaster is vital
11 to our economy and unless we have her operating as
12 freely as possible, unregulated, if necessary --
13 and she is not entirely unregulated because she has
14 to submit to inspection regulations -- that is all
15 the regulation we require. What would happen in
16 relation to bulk cargoes under such circumstances
17 I really am not prepared to say and I don't intend
18 to deal with it. I just make the point in passing
19 that in so far as the Transport Act in Newfoundland
20 is concerned it is beyond our conception to think
21 it should apply, and I recommend accordingly.

22 I do want to say also, Mr. Chairman, and I
23 think it is right that I should, that all interests
24 in our province are of the one mind in regard to
25 our submission relative to the maintenance of the
26 status quo in regard to shipping. You had before
27 you a cross section representative of industry, of
28 trade and commerce, and these people, I think,
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2 universally agree that that should be so. I submit
3 also that our friends in the Maritime region, who
4 are our neighbours, also agreed with us that New-
5 foundland is entitled to special consideration,
6 and as far as I can see from reading the records
7 of the briefs that have been submitted, I think
8 that that situation obtains pretty generally right
9 across Canada. I submit therefore, sir, with all
10 respect, that in so far as we are concerned there
11 should not be any great difficulty, whatever your
12 decision may be in relation to other areas, in
13 finding that we are entitled to special treatment.

14

I just want to say in passing, and I will
15 not delay the Commission very long on it, that we
16 believe a special word is justified and necessary
17 relative to certain services we have in Newfoundland
18 which have existed over many, many years. I am
19 referring specifically to the trans-Atlantic
20 inter-coastal service that has been maintained
21 and is still carried on by Furness Withy Limited.
22 The Furness Withy Limited enjoys, and has for
23 years and years, a very special place in the
24 trade history of Newfoundland. They are the
25 successors to the old Allan line and have traded
26 to Newfoundland and back almost for a century,
27 and they are the only direct water link which
28 we now have with the United Kingdom and, through
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2 the United Kingdom, with European markets. That is
3 for the movement and lifting of cargo. They are
4 also the only direct water link which we have
5 for the movement of passenger traffic from Newfound-
6 land to Europe. Let me first say this: the fact
7 we have the direct water movement by which we can
8 move a certain quantity of our products to be marketed
9 in Europe is important to us for this reason, that
10 a lot of that stuff is shipped through Liverpool
11 and from there it is on-carried and directed to the
12 Mediterrean markets and the Spanish markets,
13 particularly the Spanish markets. That situation
14 was more important a few years ago than it is at
15 the moment but, nevertheless, it is still important
16 for us to have the medium available to us when that
17 trade is revived as we hope it will be in the not
18 too distant future. It is also important from the
19 standpoint of providing a medium whereby our people
20 can get transportation to and from the other side.
21 They have maintained all through the years a
22 regular system operated by first-class ships,
23 which in turn, as I hardly need say, are operated
24 in a first-class way. The Newfoundland and
25 the Nova Scotia are two beautiful vessels. I
26 don't think there is anything like them on the
27 Canadian coastline. They are peculiarly suited
28 to the Newfoundland trade. They are the successors
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2 to two ships of the same name, both of which were
3 lost in the last war. The standard of service
4 has always been maintained on the highest level,
5 and our people are most appreciative of it. That is
6 one leg of the passage.

7

8 They call at Halifax, and then to Boston and
9 back. If the suggested amendments or restrictions
10 to coastwise shipping are implemented to the full
11 degree, it means that that service will no longer
12 exist in so far as Newfoundland is concerned, I
13 think. The reason I say "I think" is this: that
14 if those ships cannot make to Canadian ports I
15 cannot see how it is possible for them to operate.
16 They maintain a passenger service between St.
17 John's and Halifax, as well as trans-Atlantic, and
18 they also provide a most important link of cargo
19 transportation between St. John's and Halifax, and
20 that is in connection with the on-carriage of
21 fish into the Canadian market. We shipped through
22 Halifax last year 25,000 tons of fish to the
23 Canadian market, and a great portion of that
24 was lifted by the Furness Withy line. They also
25 operate coast-wise two ships, one of which was
26 specially built, the Fort Avalon. That vessel
27 is ice-strengthened and was built, I think, as
28 a newsprint carrier, partially to be used as a
29 package freighter as well, and operates on a

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2 regular service New York, Halifax, St. John's,
3 Corner Brook. The same thing applies to another
4 vessel called the Fort Hamilton. She is not in the
5 same category as the Fort Avalon, but nevertheless
6 she is an essential link. This service, a service
7 carried on by Furness Red Cross, is the successor
8 to a former service by Red Cross Line which was
9 owned to a certain extent by Newfoundland people.
10 That Red Cross Line service, which touches New
11 York, Halifax and St. John's, has been so long in
12 being that it is traditional in so far as Newfound-
13 land is concerned. Our people have always main-
14 tained a very direct and intimate trade-link
15 with New York and, through New York, with the United
16 States of America.

17 I think I should say, and I don't think
18 it is irrelevant to say, that the relations between
19 our people and the people of the United States
20 of America are most cordial. Actually, Mr.
21 Chairman, the contribution of the American govern-
22 ment and defence authorities to the economy of
23 Newfoundland is nothing short of colossal, and
24 as a result -- not as a result, because that is
25 only a part -- that has been developed over a
26 period of years, almost centuries, and I should
27 say this too, that in the days when things were
28 not as they are, when it was necessary for our
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2 people to find a haven where they could get employ-
3 ment and sustenance, they always found it in the
4 great United States, with the result today that on
5 the eastern seaboard of the United States there are
6 almost as many off-spring of Newfoundlanders as of
7 the Americans themselves. Although it has fallen
8 off very considerably since Confederation, that is
9 an important factor as far as we are concerned,
10 and we certainly do not wish to see that situation
11 destroyed.

12 There is just one other point to which I
13 would make reference. As a result of agitation
14 which went on for many years in what we know as the
15 mainland Maritime region, there was enacted on
16 your statute books, following upon the recommendations
17 of the Dugan Commission a piece of legislation
18 which was known as the Maritime Freight Rates
19 Act. That Maritime Freight Rates Act, Mr. Chairman,
20 was the combination, after a period of years of
21 agitation, of the requests and the demands of
22 the Maritime people for special consideration,
23 transportationwise, within the Canadian federation.
24 That Maritime Freight Rates Act still stands on
25 your statute books, a monument, I suggest, to
26 the far-sightedness, not the generosity, but the
27 inherent sense of justice of those who realized
28 that the people living on the perimeter of this
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2 continent are entitled to special consideration
3 transportationwise if they are to play their part
4 within the framework of Canada. I mention here,
5 sir, solely to emphasize the point I made, and which
6 I suggest is fundamental, that the further east you
7 go the greater the need for special treatment in
8 that respect. The Maritime Freight Rates Act and
9 its privileges extend to Newfoundland by virtue of
10 the terms of union, and we appreciate it, but
11 what I am trying to say is that that was an artificial
12 aid which was realized as being needed and just in
13 so far as the Maritime people were concerned. What
14 we are asking is not artificial aid; what we are
15 asking is the preservation in its untrammelled state
16 of the waterways as the Lord created them in the
17 heartland of Canada so that our people may be able
18 to trade freely, within the scope, of course, of the
19 Commonwealth agreement, with the mainland people,
20 be able to sell them products, be able to purchase
21 our goods. If we can do that, that is all we
22 ask, because we have to point out that any
23 restrictive legislation that has as its object
24 the fostering of the needs or requirements of
25 one area with detrimental consequences to another
26 area is foreign to the concept of Canadian
27 Federation.
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2 I say, sir, with all respect, that if we on
3 the east coast who are not directly concerned with
4 what happens within the Great Lakes are compelled
5 to pay excessive freight rates on the goods that we
6 buy and on the products that we sell so as to
7 preserve the interests of certain people in the
8 upper Canada area, that is not fair; that is not
9 just; that, I am almost inclined to say, is un-
10 constitutional.

11 If the waterways of Canada are free to all
12 men, as they should be, and if my concept of the
13 common law is correct, the rivers and lakes,
14 particularly the rivers of this country are free
15 to the use of all men, and so it applies wherever
16 the common law obtains. It is true that has been
17 abrogated and changed to a certain extent by a
18 statute of this country, but nevertheless there is
19 your tremendous waterway and we are on your
20 perimeter and we are part of you. We have equal
21 rights with the man in central Canada to enjoy
22 the natural advantages that this country makes
23 available to all men, and we have a right to
24 protest and protest with all the force we have
25 against the abrogation of those rights. If those
26 rights are maintained, if we are preserved the
27 liberty to trade untrammelled within your area,
28 to utilize this shipping that is now available
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1 to us, because they are so vital to us, then we
2 have no quarrel, and it is no concern of ours what
3 happens in this particular area. Given that, sir,
4 then I think, sir, that we will be satisfied.

5 THE CHAIRMAN: Thank you, Mr. Lewis.
6 Mr. Teed?

11 MR. J. F. H. TEED, Q.C.

12 MR. TEED: Mr. Chairman and gentlemen, I had
13 not until quite recently expected to make any
14 remarks by way of argument, and when I prepared the
15 brief which I submitted in Toronto I indicated then
16 that it was, in part, argumentative. As I didn't
17 anticipate taking further part in the hearings I
18 haven't followed the hearings closely, and I am not
19 prepared to argue on evidence. I therefore can
20 make only, helpfully to you, a few remarks of a
21 general character arising, in part, out of the
22 brief as submitted and, in part, out of the state-
23 ments and evidence given yesterday before you.
24 Our position is stated in the brief. We would
25 desire that the present position with respect
26 to legislation remain as is. That is the con-
27 sidered conclusion of an organization which is
28 engaged in shipping and also in other business
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2 activities. They are not wholly selfish; they
3 are in part, because it concerns shipping. They are
4 perhaps unselfish in their views because the organ-
5 ization has other interests. One was mentioned
6 yesterday -- the pulp and paper mill located in the
7 city of Lancaster near Saint John; and, of course,
8 there are others, some known to Mr. Wickwire at
9 least, such as the transportation in the Maritime
10 areas.

11 The particular legislation to which the
12 attention of this Commission was drawn by the terms
13 of reference was Part 13 of the Canada Shipping
14 Act, and that is the one to which my attention and
15 the attention of those whom I represent has been
16 particularly directed. We are not within the
17 Transport Act. Our business activities and trans-
18 portation in so far as water is concerned do not
19 come within the Transport Act, and we hope they
20 may remain as they are -- outside of it.

21 As indicated yesterday, the problems in
22 regard to shipping on the East coast, and probably
23 on the West coast, are not the same as those in
24 the central and Great Lakes areas. Your ships
25 have to be differently constructed. We are
26 faced with a different type of competition.
27 Our maintenance costs are heavier because of the
28 action of salt water which has a greater corrosive
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1 effect. Salt water has at times to be used as
2 ballast and it has corroding effects on tanks
3 or even on the ordinary package boats. I merely
4 state that as illustrating the position we take
5 down east. Whatever may be your conclusion with
6 respect to the Great Lakes area, and on that I am
7 not qualified to make a recommendation because I
8 just don't know, I suggest that with respect to the
9 East coast matters should be recommended to be left
10 as they are. This is wholly within your terms of
11 reference where it says:

12 "the necessity, if any, of establishing
13 "different policies and prescribing
14 "special conditions with respect to the
15 "coasting trade of Canada, including the
16 "Great Lakes, applicable to particular parts
17 "of Canada."

18
19 Mr. Lewis, speaking from Newfoundland, is
20 making the same submission, and I, speaking for
21 one interest in New Brunswick -- and that is all
22 I can speak for directly -- make the same sub-
23 mission. Our government, so far as I know,
24 has taken no part, and I cannot speak for the
25 people as a whole, but on principle, and I am
26 trying to disassociate myself if I can, and my
27 principal tried to disassociate himself from
28 his own particular interest, and speak generally
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2 for the general good of the area in which we reside
3 and where we carry on business activities.

4 We are serviced by railways to a reasonable
5 extent, and by roads to a reasonable extent, but
6 there are some areas in the Maritime provinces in
7 which water transportation is the practical means
8 of transportation. There are no railways at all and
9 road facilities are not particularly good, and, as we
10 all know, are relatively expensive. So, we urge
11 that with respect to that area matters should be
12 directed to remain in status quo in so far as the
13 provisions of the Canada Shipping Act are concerned,
14 and in so far as the provisions of the Transport
15 Act are concerned.

16 With respect to some other matters mentioned
17 in my brief: the reasons why we make this general
18 submission are set out there, and I am not going to
19 repeat. I don't see any advantage in repeating
20 the same thing that has already been said, merely
21 using different words.

22 There are some facts mentioned there which
23 perhaps were not deemed by this Commission to be
24 of much importance, and I am going at the moment
25 to page eight in which we made some reference
26 to Canadian National Railways. I hope it was
27 made clear yesterday that the parties I represent
28 have no quarrel with railways as such. They
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2 indicated some reasons why it was desirable that no
3 fetters, unnecessary fetters, should be placed upon
4 water transportation being available for use to an
5 extent that is reasonable by referring back to some
6 illustrations of difficulties with railway trans-
7 portation when rail rates were unreasonably and
8 abnormally high, and water transport was introduced
9 to offset that unreasonable condition. The particular
10 illustrations were given only by way of illustration
11 and not by way of attack upon the railroad. I want
12 to make that quite clear.

13 The next problem on the same page is some-
14 thing which again was mentioned generally by me in
15 the brief, and that is:

16 "Difficulty has been experienced
17 "in the eastern area because there is only
18 "one shipping control which is located in
19 "Ottawa distant from the eastern coastal
20 "area."

21
22 Mr. Lewis gave illustrations of the difficulties
23 which arose out of that when Newfoundland came in.
24 They solved one difficulty there by sending a
25 special delegation down to Newfoundland to sit
26 in in the locality and study it and determine
27 what was best for that particular area and things,
28 I understand, worked out to their satisfaction.
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1 In New Brunswick we had the same difficulty:
2 one illustration was given yesterday in respect of
3 those converted corvettes which could not be put on
4 Canadian Registry because of the rigid attitude of
5 people rather remote from the East coast area.
6 What can be done to remedy that we don't know. We
7 did suggest there may be diversification of control
8 in some respects with the personnel located in
9 different points. In the Great Lakes area perhaps
10 conditions are of one character and require control
11 here. The East coast section, including Newfoundland,
12 conditions are somewhat different; also the West
13 coast. Those are suggestions. We haven't gone
14 into it on a governmental basis to recommend policy,
15 but the people who work in those areas do experience
16 those practical difficulties. I am not in a position,
17 and I am not urging that any particular action
18 could be recommended at this Commission. Quite
19 frankly I don't know. My thinking is that some-
20 thing like that might work out to the general good
21 of shipping throughout Canada. Perhaps we are
22 mistaken but, at least, it is an honest mistake
23 if it is there.

24
25 Again, with respect to particular problems,
26 and these tie in, and we say:

27 "It is further submitted that
28 "the provisions of the statutes respecting
29
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1 "shipping and the regulations made there-

2 "under should be clarified and simplified."

3
4 They were obscure. That is along the same
5 character of the illustration given yesterday.
6 Other illustrations could have been given, but I
7 think one or two are really ample to illustrate the
8 point. I don't think after more study than we were
9 able to give when we prepared the brief that a
10 change in legislation is essential unless legislation
11 is required to break up control in some way, but I
12 think it is more a matter for representations to be
13 made to the governmental bodies by the parties who
14 feel some change should be made, and I am not in a
15 position to make any particular submission to this
16 Commission and ask them to pass on it.

17
18 Another matter which I mentioned in my brief
19 which has been mentioned before, and which I mentioned
20 very shortly yesterday, is the matter peculiar to
21 the East, and that is the Chignecto Canal. I gave
22 illustrations of further difficulties yesterday
23 which have developed from the Canso causeway. I
24 doubt -- in fact, I am quite certain there is
25 enough information before this Commission to
26 enable it to make a recommendation, except I do
27 suggest this: not having followed the evidence,
28 and I can't speak too positively on my facts, but
29 I know it is developed before the Commission here,
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2 that the iron ore development in Quebec and Labrador
3 is proceeding, and shipments are being made, and
4 it is certain ultimately some of this ore will be
5 going down the East coast of the United States.
6 It is common knowledge in our area, and perhaps it
7 has been developed before the Commission as well
8 that in northern New Brunswick there are two major
9 base metal finds which are now in the process of
10 development, and that ore will be certainly marketed
11 somewhere on the East coast of the United States.
12 We don't yet know, but it may be that a refinery
13 will be established in the Saint John area. That
14 is one of the possibilities. Those things are in
15 a state of flux as yet.

16 However, I make this suggestion, that the
17 matter might in your report be mentioned as some-
18 thing which may be further considered by the govern-
19 ment, and the government might reasonably consider
20 as to whether in the near future and perhaps when
21 the mining situation in northern New Brunswick
22 has been further extended, a commission might be
23 appointed to enquire de novo into the advisability
24 and the benefits that might accrue from that.

25 I think this Commission might reasonably go that
26 far because that is something which is peculiar
27 to the East coast area and it is a matter of
28 shipping, but it is a matter within the jurisdiction
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2 of parliament and, I think, squarely within the
3 terms of reference, but it has not been gone into
4 before this group.

5 I think, gentlemen, that is all I want to
6 say. If I hadn't said so much in my brief I might
7 say more now, but I think that is all I am called
8 upon to say arising out of the matters which were
9 not dealt with before or arising out of the state-
10 ments made yesterday. If there are any particular
11 questions to which you would like me to speak
12 further, I will gladly do so.

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27 (Page 5390 follows)
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ARGUMENT ON BEHALF OF FURNESS WITHY
COMPANY LIMITED

---Mr. James Halley, appearing.

THE CHAIRMAN: Yes, Mr. Halley.

MR. HALLEY: Mr. Chairman and Commissioners,
Furness Withy's position is set forth in its brief
and my submission turns on the Terms of Reference,
Section (d) which states:

"(d) the necessity, if any, of establishing
"different policies and prescribing special
"conditions with respect to the coasting
"trade of Canada, including the Great Lakes,
"applicable to particular parts of Canada."

Now, I find myself, or Furness Withy finds
itself, echoing the words of Mr. Teed who appeared
on behalf of Kent Lines Limited who says as far as
they are concerned the position should remain as
it is.

Now, Furness Withy in its brief asked
specifically that no additional restriction should
be made on shipping between Newfoundland and the
Maritime Provinces, and if it is desired to
impose some additional restriction, Furness Withy
asks that it be entitled to use United Kingdom
ships in its two services.

Now, I have no intention of dealing
extensively with any of the facts in regard to that



1 evidence. The brief submitted by Furness Withy
2 clearly states all the facts, and in reading them
3 through you will clearly see the arguments on their
4 behalf. Furthermore I do not intend to deal with
5 the fact it costs more to build Canadian ships than
6 British ships, and Canadian ships operate on a ten-
7 month basis. Another point on which I do not intend
8 to deal is the adverse trade balance between Canada
9 and England, where Canada sells 650 million dollars
10 per year and Canada buys only 400 million dollars
11 per year.

12 That is a point that has been raised a great
13 many times, but I do not have to go into it in detail,
14 but I do intend to deal with the facts of shipping
15 between the Maritimes and Newfoundland, and any
16 curtailment of Furness Withy's services.

17 As you can see from the brief, and as was
18 mentioned by my friend Mr. Lewis, in the coastal
19 trade of Canada between Newfoundland and the
20 Maritimes, Furness Withy operate the "S.M.S.
21 Newfoundland" and the "S.M.S. Nova Scotia". These
22 ships are entitled to carry 150 passengers each,
23 and also these ships have been built specially
24 with a 650,000 refrigeration capacity. That was
25 specifically designed for the carriage of salmon to
26 England and blueberries in the fall from Newfoundland
27 to the United States. Likewise, these two particular
28 boats are the right size for the trade.
29
30



1 Yesterday someone said that the bigger the
2 ship the more economical the operation. The "Fort
3 Hamilton" was built specially for the trade, it is
4 the right size for St. John's Harbour, you can go in
5 and out of St. John's Harbour, and Furness Withy runs
6 from Newfoundland to overseas and to the United States.

7 Again, in the Red Cross Line the "Fort Avelon"
8 was built especially for the trade. It handles
9 newsprint for Bowater's, it looks after the handling
10 of newsprint from Corner Brook to New York, and
11 the price the Furness Withy Company can submit
12 depends on the "Fort Avelon" also plying in the
13 coastal trade from St. John's to Halifax.

14 Now, there are no ships available in Canada,
15 and I can conceive of none being built to supply or
16 replace the Warren Line service, and there is no
17 ship at the present time suitable for the export of
18 pulp paper from Corner Brook, or for coastal trade
19 from St. John's to Halifax.

20 COMMISSIONER WICKWIRE: What about the Mersey
21 Paper Company or the Mersey Shipping Company?

22 MR. HALLEY: I merely took it from the evidence
23 that the "Fort Avelon" is more suitable in the coastal
24 trade from Halifax to St. John's. It was specially
25 built for that trade, it is the right size for
26 that harbour and is also engaged in coastal trade.

27 Now the point has been raised as to
28 whether or not coastal trade and passenger trade
29 is important to Furness Withy. You will remember
30



1 the statistics given by Mr. Rees where he said
2 that 23 per cent of the cargo carriage of these
3 two lines was coastal trade between Halifax and
4 St. John's, or from St. John's to Halifax, and the
5 passengers carried between Halifax and St. John's
6 represent 14 per cent of its passenger service.
7 It can be clearly seen that coastal trade and
8 passenger trade is a vital and integral part of
9 the Furness Withy operation.
10

11 Now, from the standpoint of the Maritimes,
12 the question that arises that if these boats,
13 being British registered ships, were restricted
14 from engaging in coastal trade, what effect would
15 that have on the present services supplied to the
16 Maritimes?

17 Now, Mr. Rees has stated very frankly
18 that the service from St. John's to Liverpool,
19 Halifax to St. John's and to Liverpool, would have
20 to be abandoned. There is no justification for that.
21 If that was not carried on certain Furness Withy
22 passenger boats, going back to Liverpool, would
23 not touch at St. John's. Likewise, I can anticipate,
24 if you have boats such as these, passenger boats,
25 taking passengers to Liverpool from Boston and
26 Halifax, if they do not have these additional
27 calls, I can conceive, I can see the time when the
28 Furness Withy Company, when they operate from
29 Boston to Liverpool will have no reason for calling
30



1 at St. John's or Halifax, and Newfoundland will
2 be by-passed by a regular service.

3 That is Mr. Rees's evidence -- there would be
4 curtailment and would have to be readjustment.--

5 Likewise, as Mr. Lewis said this morning,
6 St. John's is an "island", and to get to the mainland
7 we have to get out by T. C. A. or C. N. R., and
8 other than that we have only the Furness Withy.
9 As we all know the passenger rates on these boats
10 are very low to move either yourself or your car
11 from St. John's to Halifax. If Furness Withy were
12 prohibited it would be a very serious inconvenience,
13 with the consequential loss of business to Halifax,
14 because we would all have to go T. C. A. or C. N. R.
15 to Sydney.

16 Likewise, if the coastal trade accounts for
17 23 per cent of the passenger traffic we can quite
18 easily see it happening that the passenger rates
19 from Halifax to Liverpool for Canadians going
20 overseas would be bound to rise because this additional
21 revenue would be gone and would consequently have
22 to be written off.

23 As regards to trade, coastal trade would
24 have to be carried by Canadian bottoms, but
25 because of the higher cost of bottoms and operating
26 Canadian registered ships, the freight rates would
27 of necessity rise.

28 Now, I think it is fair to assume that the
29 cost of freight or freight rates, would also rise
30



1 from Halifax to St. John's, with the operation of
2 a Canadian ship rather than a British ship.

3 Furness Withy in the second part of its
4 concluding submission says that their special
5 position should be recognized because of what has
6 been called "their grandfather rights" in this trade.

7 As has been stated to you before, the
8 Furness Withy Line has operated from Liverpool to
9 Halifax, Boston and New York, for 120 years, and
10 its sister line, the Red Cross Line, which is
11 engaged more in freight, dates the commencement
12 of its service back to 1870, and that is 85 years
13 in that particular trade.

14 Now, I do submit to the Commission that the
15 Furness Withy Company, having built up a unique
16 service, should have their special position
17 recognized.

18 The position of the Furness Withy Company
19 and the Maritime area is necessarily different
20 from the position of the Great Lakes where you
21 have had a large capital investment in boats and
22 facilities.

23 As I say, the situation because of
24 constitutional reasons has altered in the last
25 five or six years. We are in the same position
26 as the people on the Great Lakes; they want the
27 status quo kept by something being done -- we
28 want it kept by nothing being done.

29 I must say I was certainly very impressed
30 yesterday by the evidence of Mr. Irving of



1 New Brunswick. Here we have a man who certainly
2 understands the economy of the Maritimes and
3 Newfoundland too. Here is a man who fully
4 appreciates what it means to be engaged in the
5 economic life of the Maritimes-Newfoundland area,
6 and it is his belief that competition is needed from
7 British registered vessels, because, as he said,
8 it was fair competition. Their rates are not as
9 low as Norwegian rates or Panamanian rates, but
10 he thinks competition is needed to keep the rates
11 down, and he says British competition was fair
12 competition.
13

14 Now, you have in Newfoundland the Canada
15 Steamship Lines, and they do not ask that British
16 registered ships be kept from this trade. I think
17 their submission would be, if it is necessary for
18 Canada to have a shipbuilding industry, some
19 assistance should be given in some manner to make
20 it practical for Canadian-owned boats to operate.

21 Dealing very briefly with the issues before
22 the Commission, I have always believed that every
23 duty, tariff or restriction on services, interferes
24 with the law of demand, and it is not a wise or
25 healthy thing to interfere with that law. The
26 consumer will pay, to be sure, but we don't know
27 who else. Now, I do not believe that a restriction
28 in itself is bad, but the excessive use of
29 restrictions at the wrong time is bad. Protection
30



1 by itself or restriction as suggested would call for
2 inadequate management, inadequate modernization,
3 and the taking away of the urge to improve.

4 Protection by legislation will certainly eliminate
5 competition, and while in all probability Canadian
6 operators quote competitive rates in the trade today,
7 and of course they have to, meanwhile no one has
8 stated, not one Canadian operator has come into
9 this hearing and said he is losing money because
10 of British competition. Nobody, as I say, has
11 been harmed by British competition in the Maritime
12 area.
13

14 Therefore, for the reasons submitted, we say,
15 as Mr. Teed said, the situation should remain as
16 it is in the Maritime area.
17

18
19 ARGUMENT ON BEHALF OF THE MARITIMES

20 TRANSPORTATION COMMISSION
21

22 ---Mr. H. D. Smith, appearing.

23 MR. SMITH: Mr. Chairman and Members of the
24 Commission, I appear with Mr. Mann representing
25 the Maritimes Transportation Commission. The
26 Maritimes Transportation Commission is an
27 organization authorized and supported by the
28 Provinces of Prince Edward Island, New Brunswick,
29 Nova Scotia and Newfoundland, and is affiliated with
30



1 the Maritime Provinces Board of Trade. Our Commission
2 appreciates the opportunity of presenting argument
3 in relation to the evidence placed before you.

4 As you are aware, the submission of this Commission
5 was made at the Halifax hearings held commencing
6 August 2nd, 1955, and we were also represented at
7 other hearings in the Atlantic Provinces and, of
8 course, at the initial Ottawa sittings last July.

9 Our Commission has followed the proceedings
10 with the utmost interest inasmuch as they touch
11 on problems so vital to the Atlantic economy. In
12 the people of Canada's four Atlantic Provinces,
13 matters of transportation arouse an awareness which
14 is almost unimaginable to anyone who is, for instance,
15 a resident of Ontario or Quebec, and in other parts
16 of Canada, particularly the Central Provinces.
17 Transportation in all its forms is in the foreground
18 of Maritime consciousness because on it depends so
19 largely the ability of Atlantic industries to reach
20 what the Duncan Royal Commission on Maritime claims
21 has called "a market of several millions of people"
22 instead of their being restricted to the small
23 and scattered population of the Maritimes themselves."

24 We have attempted in our various submissions
25 to show the tremendous significance of the
26 transportation factor to our regional economy.
27 No better indication of this significance can be
28 given than by referring you to the terms of Union
29
30



1 of the Maritime Provinces with Canada which all
2 contain prominent references to transportation
3 matters; to the Duncan Royal Commission on Maritime
4 claims which attempted to right a wrong; and to the
5 last Royal Commission on Transportation which set
6 out clearly the difficulties which Canada's
7 peripheral areas face in the distribution of their
8 goods.

9 It is imperative for the Atlantic Provinces
10 to have flexible, low-cost transportation services
11 which are geared to facilitate to the greatest
12 extent possible the distribution of the region's
13 primary products as well as its manufactures.

14 We have attempted to impress upon the Commission
15 the fact that water transportation is of the greatest
16 importance in the Maritime distribution scheme.
17 It is important because it affords in many cases
18 the only feasible means of transporting such basic
19 and primary commodities as coal, gypsum, lumber and
20 various types of agricultural products. The very
21 nature of such traffic makes it impossible to
22 assess high transportation charges on it.

23 I submit that no where else in Canada do
24 United Kingdom and Commonwealth registered ships
25 play as larger part in the coasting trade as they
26 do in the Atlantic Provinces. As we have tried to
27 demonstrate in statements numbered 31 to 34 of
28 our brief, by far the preponderance of arrivals
29 and departures of such vessels are at ports of the
30



1 four Maritime Provinces. These vessels perform
2 a service which is considered essentially in the
3 trading pattern of our region. They contribute
4 to the flexibility of our transportation plant.
5 Water transportation has and continues to have a
6 very material influence on the cost of transportation
7 within and to and from the Maritimes.
8

9 The influence of competitive water transporta-
10 tion on the rates charged by alternative carriers
11 has been shown in our submission. We have pointed
12 out that in endeavouring to reach their most
13 important markets, namely those of Central Canada,
14 Maritime shippers have, since the advent of the
15 motor truck, been confronted with a greater dis-
16 advantageous relationship with their competitors
17 in those markets. This has been brought about not
18 only by the naturally shorter hauls to which the
19 goods of these competitors are subjected, but by
20 the intense inter-carrier competition which prevails
21 in the St. Lawrence Basin.

22 It has in all the hearings not been shown
23 to our satisfaction that the elimination of
24 United Kingdom and Commonwealth-registered vessels
25 from the coasting trade would bring forth sufficient
26 Canadian-registered tonnage offering services at
27 rates commensurate with rates which Atlantic
28 Provinces' shippers presently have.

29 The evidence of Mr. T. S. McLanders of the
30 Dominion Steel and Coal Corporation in Halifax,



1 on August 2nd, 1955, I submit established that if
2 Canada's coastal trade were restricted to Canadian
3 vessels the operations of that industry, so vital to
4 the economy of the whole Maritime Territory, would
5 be very seriously affected.

6 During the last several years approximately
7 two million tons of coal per annum have been
8 transported from Sydney to ports along the St.
9 Lawrence. A substantial tonnage was also carried
10 by water to Maritime ports.

11 Over 70 per cent of the coal shipped to the
12 St. Lawrence has been transported in chartered
13 U. K. vessels, and the balance has been handled
14 in three company-owned vessels. They have been
15 relatively
16 purchased at a/reasonable price from the Government
17 after the last war and were converted into bulk
18 carriers for the movement of coal, ore and limestone.
19 The acquisition of these vessels was a necessity in
20 order to supplement the carrying requirements of
21 the Corporation under abnormal shipping conditions.

22 It is submitted in connection with the coal
23 trade that the proposed barring of U. K. vessels
24 would not only improve the competitive position of
25 U. S. coal in the Quebec market, but some of the
26 proponents for restricting the coastal trade would
27 stand to obtain a greater volume of the American
28 coal traffic, thus generated. All at the expense
29 of the Eastern Canadian coal industry already beset
30



1 with difficulties and requiring subventions for coal
2 moved by water up to a maximum of \$3.00 per ton in
3 order to meet the laid-down costs of U. S. coal.

4 If U. K. vessels were barred, the question
5 arises, where is the Dominion Coal Company going to
6 charter suitable bulk carriers of Canadian registry
7 to fill the void that would be at least equivalent
8 to that prevailing from time to time for U. K.
9 vessels. Obviously from the evidence placed before
10 your Commission, the cost of hire of Canadian
11 vessels would not be as low as U. K.-registered
12 ships except under abnormal circumstances.
13 Moreover, suitable Canadian vessels, if obtainable
14 at all, would not be able to reflect either directly
15 or indirectly:

16 "(i) The temporizing influence of the
17 "world shipping market as reflected in the
18 "hire of suitable U. K. vessels offered for
19 "the period of DOSCO's trading, which is
20 "about seven and one-half months in the
21 "coal trade and ten months in the ore.

22 "(ii) The benefits in hire that U. K.
23 "owners can offer by being in a competitive
24 "position to utilize vessels in other trades
25 "on completion of their seasonal trading
26 "for DOSCO, as contrasted to the higher basis
27 "of hire that would of necessity be required
28 "by the Canadian owner to compensate for the
29 "idle off-season. Unless favoured by
30 "abnormal conditions."



1 This all-out proposal to debar U. K.-
2 registered and built ships, and even the
3 modified version which seeks restricting
4 the coastal trade to Canadian-registered
5 ships, even though constructed in the U. K.,
6 could only result in hire offerings for
7 suitable vessels for construction for DOSCO's
8 coal movement that would be prohibitive.
9 In the meantime, with the all-out proposal,
10 the industry would be deprived of suitable
11 means of transport which could be disastrous.
12 As to the steel industry in Sydney, the
13 effect of the proposal would of necessity
14 be increased costs in raw materials on top
15 of already substantially widened transporta-
16 tion spreads as against producers located
17 nearer the principal markets of Canada.

18 I submit it is abundantly clear from
19 the evidence that the proposal to restrict
20 Canada's coasting trade would seriously
21 jeopardize the coal industry in the Maritime
22 Territory, benefit the U. S. coal industry,
23 stand to increase the coal traffic of some
24 of the proponents for restriction, and
25 indirectly increase the costs of the steel
26 industry in Sydney.

27 Standing alone, these results, in my
28 submission, would be such as to render the
29 proposal of the utmost concern to us in the
30 Maritimes.



1 Now, Mr. Chairman, there is in my submission
2 very little doubt the disappearance of United
3 Kingdom and Commonwealth vessels from coastal trade
4 would result in higher freight rates. That is quite
5 apart from the wage difference in Canadian and
6 British seamen which so much has been made of.
7 I submit the proposed regulations mean increased
8 costs.

9 On page 15 of our submission, our Commission
10 took the position that, if we found that owing to
11 the conditions peculiar to the Great Lakes-St.
12 Lawrence area, the coasting trade therein should be
13 restricted to Canadian-registered ships; our part
14 of Canada would have no objection to the adoption
15 of such a measure, as long as it would not result
16 in prejudice to our economy. We are primarily
17 concerned with the coasting trade within, from and
18 to the Maritime Provinces, and, as I have said, we
19 are strongly opposed to the restriction of that
20 trade to Canadian-registered ships, or to the
21 putting into effect of any measures calculated to
22 render it more difficult or more expensive to
23 transport goods by water within, from or to these
24 Provinces. We have read the submissions made and
25 the evidence led pro and con the proposed restric-
26 tions applicable to the Great Lakes -St. Lawrence
27 area. As at present advised, we do not propose
28 to take part in that discussion. We do submit that
29 if different policies are established or special
30



1 conditions are prescribed with respect to the
2 coasting trade of Canada, the area to which these
3 should apply should not, in any event, extend beyond
4 the Eastern boundary in the definition contained in
5 Section 2 (1) (e) of the Transport Act.
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15 (Page 5410 follows)
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MR. SMITH: The proposal has been made that it would be desirable to bring under the licensing and regulatory provisions of the Transport Act virtually all ships trading coastally in Canada. This recommendation, made by the railways, would ignore almost entirely the present exemption from such provisions of bulk carriers and ships engaged in the carriage of goods in the Maritimes, between the Maritimes and the Great Lakes, or between the Atlantic and Pacific Coasts.

When the bills preceding the enactment of the Transport Act were discussed before the Parliamentary Committees on Railways, Canals and Telegraph Lines in 1937 and 1938, our Commission was able to show that the regulation of water carriers in the Maritimes which, as proposed then was substantially like the proposal now being made by the railways, would have detrimental effects on the Maritime economy. Parliament was satisfied that it would not be in the public interest to regulate such carriers in the manner in which it is now again suggested they should be regulated.

We would consider it a retrograde move, if effect were given to the changes in the Transport Act advocated by the railways. At this time, when sparked by the discontent of the railways with their own regulation, there is searching general discussion of the whole problem of transport regulation all over the North American continent, it would, in our respectful submission,



1 be ill-advised to place another patch on our regu-
2 latory fabric. Such patching has been done all
3 too frequently in Canada.

4 The allegedly adverse position in which
5 Canada's shipyards find themselves today has been
6 forcibly brought to the attention of your Commis-
7 sion, it has been represented to you that it is
8 essential in the interests of national defence to
9 have in Canada shipbuilding and repairing facili-
10 ties which could be in an instant ready in the
11 event of a national emergency. A similar plea
12 has been made in advocacy of the maintenance of
13 at least a nucleus Merchant Marine. The propo-
14 nents of these thoughts believe that to quite an
15 appreciable extent both these goals can be reached
16 by the reservation of the coasting trade to
17 Canadian-built and registered ships.

18 We cannot, however, accept the position
19 that the goals which may be found desirable,
20 should be reached by means of excluding United
21 Kingdom and Commonwealth-registered tonnage from
22 Canada's coasting trade. We have already point-
23 ed out that such an exclusion would lead to
24 higher freight rates in the coasting trade. To
25 the extent that this occurs, a National Defence
26 impost is being placed on but a small segment of
27 the nation. As the largest users of United
28 Kingdom-registered vessels, the Atlantic Provinces,
29 which have hardly ever been reckoned among
30 Canada's wealthier regions, would be asked to



1 assume a burden which properly belongs on the
2 shoulders of the nation as a whole.

3 I will close, Mr. Chairman and gentlemen,
4 by repeating what I said at Halifax, that the
5 Maritimes Transportation Commission, therefore,
6 must strongly oppose this restriction in the coast-
7 ing trade which of necessity we submit can have
8 no beneficial effect, it has a substantial increase
9 in transportation costs to industries, producers,
10 shippers and consumers in the four Atlantic Pro-
11 vinces. Such a restriction, as far as we are
12 concerned, has in our submission no compensatory
13 advantages and would inevitably aggravate the
14 present disadvantageous economic position of this
15 Province.

16 THE CHAIRMAN: Thank you, Mr. Smith.

17 B.C. Lumber Manufacturers Association, Mr.
18 Blair?

19 _____
20
21 ARGUMENT ON BEHALF OF THE B.C. LUMBER
22 MANUFACTURERS ASSOCIATION.

23 ---Mr. Gordon Blair, appearing.

24
25 MR. GORDON BLAIR

26 MR. BLAIR: Mr. Chairman, members of
27 the Commission, I appear on behalf of the B.C.
28 Lumber Manufacturers Association whose brief
29 was submitted earlier to the Commission and who
30



1 spoke in support of the brief at the hearings in
2 Vancouver. The B.C. Lumber Manufacturers Associa-
3 tion was joined in their brief by the Consolidated
4 Red Cedar and Shingle Association of British
5 Columbia and by the Plywood Manufacturers Associa-
6 tion of British Columbia. A separate submission
7 was also made to the Commission by the B.C. Loggers
8 Association and I am instructed that what I say
9 on behalf of the B.C. Lumber Manufacturers Associa-
10 tion has the support of these other three important
11 producing agencies.

12 Mr. Chairman, very shortly, our submission
13 is that the status quo should be maintained and
14 that nothing should be done to hamper the movement
15 of lumber products and other products in Canada
16 by the imposition of restrictive measures favouring
17 Canadian-registered or Canadian-built ships. In
18 this matter we support the position taken by the
19 Province of British Columbia in the submission
20 made to the Commission.

21 THE CHAIRMAN: Was there a single log moved
22 by British ships on the Pacific Coast? I can-
23 not remember any evidence of it at the hearing.
24 My recollection is it moved in old barges and
25 they were U.S. barges from the United States.

26 MR. BLAIR: There is some evidence of
27 old bottoms being purchased from the United
28 Kingdom and given in the evidence of the Island
29 Tug & Barge Company.

30 THE CHAIRMAN: Yes, one of those two



1 self-unloading barges did come from the United
2 Kingdom.

3 MR. BLAIR: Mr. Chairman, in making this
4 submission to you I would like to first of all
5 answer your first query by indicating the extent
6 of the interest of the British Columbia lumber
7 industry in the proceedings of this Commission and,
8 secondly, to deal with three specific matters
9 which have been raised before the Commission.

10 Now, the British Columbia lumber industry is one
11 of the largest consumers and purchasers of trans-
12 portation in Canada; the forest industries of
13 British Columbia contribute 40 percent of the net
14 production of that Province and it has been esti-
15 mated that 50 percent of the net income of British
16 Columbia is attributable directly or indirectly
17 to the forest industries. Sufficient to say
18 that the British Columbia Lumber Manufacturers
19 Association consisting of approximately 70 firms
20 operating approximately 100 plants in the Pro-
21 vince in the year 1954 had a net production
22 worth \$271 million, and that production contri-
23 buted very substantially to Canadian export trade.
24 About one-third of the production was exported
25 to the United States and about one-quarter of
26 the production was exported to the United King-
27 dom. Thus, this industry is one of Canada's
28 more wealthy producing industries and it is im-
29 portant, not only to the economy of British
30 Columbia, but it is important to the economy of



1 the whole of Canada. As such, it is an industry
2 which is vitally affected by transportation costs,
3 whether these costs are laid open directly or
4 whether they must bear the expense of them indirect-
5 ly.

6 Now, there are three specific ways in which
7 the cost of transportation are important to the
8 work of this Commission. First of all, as the
9 Commission knows, the coast lumber industry in
10 British Columbia is absolutely dependent upon water-
11 borne transportation. The industry is carried on
12 along approximately 600 miles of rugged coastline
13 and there is really no other transportation agency
14 which can service that industry except coastal
15 transportation. The transportation is used,
16 first of all, in hauling away the products of the
17 industry, log booms, the scowing of lumber, all
18 the other things that are done by tugs, tugging logs
19 or tugging the scows. Also the industry is de-
20 pendent on coast transportation for the movement
21 of men and supplies, all of which bears a vital
22 relationship to these costs.

23 The second way in which this industry is
24 vitally affected by the coastal shipping of
25 Canada is in relation to the sale of its products
26 in Eastern Canada. More than a quarter of its
27 production is sold in the Central Provinces and
28 this sale would not be possible were it not
29 for the fact that water compelled freight rates
30 are available to the B.C. lumber because industry



1 had to compete in this market and, conversely,
2 in the third way in which it is affected by the
3 present coastal shipping arrangement is that it
4 and the whole of the Province of British Columbia
5 are consumers of products produced in the Central
6 Provinces, and those products move to the Province
7 of British Columbia by freight rates which are
8 water compelled and which are determined, not by
9 actually the cost of going through the Panama
10 Canal, but by the threat of that.

11 Now, in the evidence which was presented
12 to this Commission by one of the largest lumber
13 producers on the Coast, McMillan, Bloedel & Company,
14 a very striking illustration was given as to the
15 importance of maintaining these costs as low as
16 possible. The responsible officer for McMillan,
17 Bloedel & Company stated to the Commission that
18 a price differential of 25 cents on a \$165 load
19 in the London market would turn the table as
20 to whether or not the B.C. lumber was saleable
21 in that market.

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25 (Page 5417 follows)
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2 The interest of the British Columbia lumber
3 interests is long standing and traditional and it
4 competes in that market at a considerable dis-
5 advantage because it is the source of supply. The
6 British Columbia lumber industry is in the position
7 in relation to these traditional markets in the
8 United Kingdom of not being able to determine the
9 price but having to accept a market price for years
10 by world wide competition and any charges which are
11 piled on, the British Columbia lumber industry
12 cannot pass it on to the consumers of the product.
13 In the coastal markets this industry competes
14 against competitors from all countries. It has
15 absolutely no protection and it must face the full
16 force o world wide competition and, therefore, be-
17 cause of the importance of the coastal industry to
18 the life of this industry, it is our submission
19 that nothing should or ought to be done which will
20 result in the piling on of costs and hampering it
21 in competing in foreign markets.

22 As I mentioned too, the industry has been
23 unable to enter the Canadian market because of
24 the fact of the water compelled rates. Another
25 part of the submission which was made to you in
26 Vancouver by the British Columbia Lumber Manu-
27 facturers Association was that, regarded day
28 by day the position of the principle producers
29
30



1
2 of this product, it is a long standing position that
3 the United Kingdom market has been imported
4 by reason of the dollar shortage and anything which
5 is done or may be done to hamper the ability of
6 the United Kingdom to earn Canadian dollars will
7 have a very important effect on the sales of this
8 product on the United Kingdom market. This state-
9 ment is made out of hard, practical experience
10 because the British Columbia lumber has, since the
11 war, been under different types of quota arrange-
12 ment and it has never been possible for the British
13 Columbia lumber manufacturers to fully enter the
14 market because of the dollar shortage and when we
15 say it is imperative to maintain the dollar earning
16 capacity of the largest traditional customer, it is
17 said out of hard experience.

18 Now, I think that, in a very broad way
19 covers a description of the interests of the
20 British Columbia lumber industry in the work of
21 this Commission. There are three matters which
22 have been discussed in some detail before the
23 Commission upon which I would like to comment.
24 The first is, the nature of the coasting trade
25 of the province of British Columbia. As the
26 Chairman pointed out, it is highly improbable
27 that a log or a stack of lumber has been moved
28 in the British Columbia lumber industry by a
29
30



1
2 British ship in recent years. As we understand the
3 submissions made to this Commission by the British
4 Columbia Tugboat Owners Association which are
5 contained in B-57 and by the British Columbia
6 government, there is really no question of British
7 ships as such moving in to take over the present
8 position of the Canadian registered tow boats on the
9 coast. The conclusion from that set of facts is that
10 there is no reason, therefore, for imposing any
11 restrictions in favour of Canadian registered vessels
12 on the Pacific coast. They are able, at the present
13 time and under present circumstances to dominate
14 the market. But, we do submit for the consideration
15 of the Commission that there is always present the
16 threat of potential competition and it is bound to
17 have an effect upon the prices and the other con-
18 ditions imposed by the B.C. towboat owners and we
19 therefore, submit, that there could be and there is
20 no case for imposing any restrictions in favour of
21 Canadian registered vessels on the Pacific coast.

22
23 The second question which was raised in
24 the hearings on the Pacific coast was with
25 reference to the origin of ships and scows employed
26 in the trade. Evidence was given as we understand
27 it by the towboat operators and by the British
28 Columbia government to show that the British
29 Columbia logging industry and the other industries
30



1
2 have substantially benefitted from the importation
3 of non-Canadian built vessels, some of them from the
4 United Kingdom and we are not alone in submitting
5 to this Commission that nothing should be done to
6 impair the ability of B.C. industries to import
7 foreign built vessels or British built vessels.
8 It is considered that these importations have had
9 a beneficial effect in building up the scow fleets
10 on the Pacific coast and it would be unwise to
11 consider a reversal of policy which would favour
12 exclusively the employment of Canadian built vessels
13 of this character.

14 THE CHAIRMAN: Surely they are not United
15 Kingdom scows? How in the world would they get
16 them there, they are too big for a deck load and
17 they surely would not sail over.

18 MR. BLAIR: There is somewhere here, My Lord,
19 a statement of the Island Tug and Barge, a reference
20 to dealings in British barges.

21 THE CHAIRMAN: I know that situation, I
22 was talking about scows, I know the situation with
23 regard to the self-unloading barges.

24 MR. BLAIR: I am sorry, My Lord, I am
25 from Saskatchewan and just don't know.

26 MR. MUNDELL: I think that is true of all
27 Saskatchewan.

28 MR. BLAIR: No reflection on Mr. Mundell.
29
30



1
2 MR. MUNDELL: I know the difference between
3 a scow and a barge, now.

4 MR. BLAIR: Well, speaking of the vessels
5 which can practically be brought from the United
6 Kingdom and employed on the coast, I think Mr.
7 Chairman, it is fair to say that the main point
8 we wish to make to this Commission is the third
9 detail which has been brought before you which
10 is what is called the inter coastal trade. Now,
11 historically, as the Commission knows, the con-
12 struction of the Panama canal had a revolutionary
13 effect on freight rates in this country. Until
14 that canal was built the rates for the movement of
15 traffic from central Canada to the Pacific coast
16 and vice versa were extremely high. After the
17 canal was constructed it made it possible to move
18 freight from Montreal to Vancouver, these rates
19 were drastically reduced. So for many, many years
20 it has been possible to ship goods much more
21 cheaply from Montreal to Vancouver than from
22 say Calgary to Montreal or Regina. Now, the
23 importance of intercoastal shipping in regulating
24 the trans-continental movement of freight was
25 recognized by the Turgeon Royal Commission on
26 Transportation in its report of February of 1951.
27 I think this is a matter with which the Commission
28 is familiar, that perhaps the chief practical
29
30



1
2 recommendation of this Commission had to do with
3 trans-continental rates in that it prescribed a
4 formula of trying to prevent or protect intermediate
5 points and relating particular rates to local
6 transportation rates. But what the Commission had,
7 it is stressed and emphasized, the importance of
8 intercoastal shipping as a regulator of trans-
9 continental freight rates. I think it might help
10 the Commission if I read a part from the report of
11 the Royal Commission having to do with trans-
12 continental rates. The Commission stated at page
13 97:

14
15 "The territory covered by trans-
16 "continental rates in Eastern Canada is so
17 "extensive because ocean steamships, with
18 "connecting river and truck services, between
19 "lake ports and inland centres, can take
20 "traffic out of or into the entire eastern
21 "half of the continent. It is not uncommon
22 "for articles destined to the Pacific Coast
23 "to be moved from Toronto, Hamilton or
24 "Windsor to Montreal for furtherance by
25 "intercoastal vessels to Vancouver; and
26 "under favourable water-rate conditions a
27 "shipment could be moved from as far west
28 "as For William to Montreal for furtherance
29 "to the Pacific Coast by intercoastal
30



1
2 "steamship, although this would be an
3 "extreme case. Movements to Montreal for
4 "ocean transit are carried by rail, water
5 "or truck. Intercoastal steamships operating
6 "between Montreal and Vancouver make a
7 "practice of absorbing some of the charges
8 "of the trucks or railways from points in
9 "Quebec and Ontario to the port of Montreal."

10
11 Now, it is a matter of record that at the
12 present time there is very little intercoastal
13 traffic but the Turgeon Royal Commission recognized
14 this when they said at page 90:

15 "While there always has been (save
16 "in exceptional circumstances such as war)
17 "some steamship service to the Pacific coast
18 "which has effected railway rates from the
19 "east, the acute period of competition
20 "with the Canadian trans-continental
21 "railways occurred after the opening of
22 "the Panama Canal in 1914."

23
24 Then they go on to say and I would quote
25 from page 96 of their report:

26 "Transcontinental rates apply
27 "particularly to products on which water
28 "competition is keen but not to perishable
29
30



1
2 "commodities on which speed of delivery is
3 "important, and rail rates are usually
4 "somewhat higher than steamship rates
5 "because the railways are able to charge
6 "more for greater speed and scheduled time
7 "of delivery."
8

9 Now, I have read these extracts simply to
10 reinforce the history with which the Commission is
11 familiar on these trans-continental rates and to
12 indicate that intercoastal shipping has been and
13 continues to be a regulator of freight rates.
14
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27 (Page 5425 follows)
28
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1 How important this has been is indicated by an
2 illustration given by the Turgeon Commission
3 at page 99 of its reports, it mentions the dis-
4 parity in rates to the Pacific Coast from Central
5 Canada in comparison to the rates to intermediate
6 points. The Commission states:

7 "It seems difficult at first to
8 "understand why a rate on canned vegetables
9 "from Toronto to Calgary should be \$2.65
10 "per hundred pounds when the rate on the
11 "same article to Vancouver is \$1.40 per
12 "one hundred pounds."

13 That, Mr. Chairman, is a measure of the
14 significance of the potential threat of inter-
15 coastal competition in regulating railway freight
16 rates in Canada. This matter was dealt with
17 at some length by the British Columbia Government
18 in its brief, and I would like in conclusion to
19 read the extract from that brief into the record.

20 THE CHAIRMAN: Whose brief is this?

21 MR. BLAIR: The British Columbia Govern-
22 ment.

23 THE CHAIRMAN: I presume it is on the
24 record, if your only purpose is to put it on
25 the record, it is already there.

26 MR. BLAIR: I do not wish to detain
27 the Commission.

28 THE CHAIRMAN: Oh no, there are a good
29 many things that will have to be read and
30



1 there is no need to repeat things that will have
2 to be read.

3 MR. BLAIR: It is important, I direct the
4 Commission's attention to the British Columbia
5 Government's brief which deals with intercoastal
6 trade and draw your attention specifically to one
7 sentence in the brief which reads as follows:

8 "While this type of movement may
9 "not again have a substantial part of the
10 "traffic moving from Eastern Canada to
11 "the Pacific Coast --- "

12 THE CHAIRMAN: I understand, Mr. Blair,
13 certainly the effect which has contributed to
14 the possibility of intercoastal shipping, but I
15 do not know of any proposition before the Commis-
16 sion which in any way prohibits it.

17 MR. BLAIR: Certainly as far as I know
18 there has been nothing to prohibit intercoastal
19 movement, but if intercoastal movement is res-
20 tricted to high-cost ships or high-cost operating
21 ships then the great benefits which the Pacific
22 Coast has received would be frustrated.

23 THE CHAIRMAN: To the railroads it
24 would not be as serious and they will not have
25 to keep their rates as low as they are now.

26 MR. BLAIR: That is the whole point of
27 my submission.

28 In conclusion I will repeat what was
29 said by our people in Vancouver, that this ar-
30 gument is not made out of any animosity to any



1 other legitimate business in Canada. It may be
2 for reasons of public policy that this Commission
3 will come to the conclusion that there is a need
4 for some measure of shipbuilding in this country
5 and for assistance to other interests in the
6 shipping industry. Our submission is simply that
7 if this kind of assistance has to be given, it
8 ought not to be laid on to the shoulders of the
9 shippers, and it should be recognized for what
10 it is, a measure of national policy, national
11 assistance, and should be given directly by the
12 Government in the form of subsidy or in some other
13 way. That is my submission.

14 THE CHAIRMAN: We will adjourn now until
15 2.30.

16 MR. MUNDELL: Mr. Chairman, I should say
17 I was speaking to Mr. Rand Matheson who was here
18 this morning and he was to have appeared here
19 on Monday, but he tells me that he is adopting
20 the argument of the Maritime Transportation Com-
21 mission.

22
23
24 (Page 5430 follows)
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e E

.6/56

1 ---On resuming at 2.30 P.M.:

2

3 THE CHAIRMAN: The Canadian Federation of
4 Agriculture, Dr. Hope.

5

6

7

8 ARGUMENT ON BEHALF OF THE CANADIAN
FEDERATION OF AGRICULTURE

9

10

---Dr. E.C. Hope, appearing.

11

12

13

DR. E.C. HOPE

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DR. HOPE: Mr. Chairman and members of
the Commission, I regret I was not able to be here
this morning in case you wanted to go on this
morning.

20

21

22

23

24

25

THE CHAIRMAN: No, it worked out very
conveniently.

26

27

28

29

30

DR. HOPE: I only got possession of rather
important documents yesterday, Exhibits 165 and
200. I had to work on those during the night
and this morning. That is the reason why I
was not prepared to go on.

31

THE CHAIRMAN: Yes.

DR. HOPE: Now, I find that in trying
to present final argument on this problem, there
are many facets, many avenues that a person can
take, a lot of side-paths here and there. I
have decided to try to come around to what I



1 call the hard core of the problem as we see it,
2 believing if you can cut out the core then a lot
3 of other things fade away.

4 We consider the core in this problem is
5 when the Seaway is opened, will British and foreign
6 eventually
6 ships/drive the Canadian Lake ship out of business?

7 There is no need to quote the different
8 briefs and parties who have put that proposition
9 forward. They vary all the way from rather modest
10 declarations of that to rather extreme cases.

11 Now, most of them have pointed out very
12 dire consequences if this should take place. I
13 will just list a few of them. Grain shipments from
14 the Great Lakes and the head of the Lakes will suffer
15 because the British and foreign ships would not be
16 there when they are needed. Periodically the
17 steel mills will be left to their own dismal fate
18 with no ships to carry the ore.

19 Canadian shipyards will languish and die.

20 In time of war the foreign and British ships
21 in the Lakes will all disappear to their different
22 parts of the world and leave us with virtually
23 no ships in the Lakes.

24 In the event of war we shall have no train-
25 ed Canadian seamen.

26 In the event of war we shall have no
27 large-scale efficient shipyards to build rapidly
28 and defend ourselves.

29 This is a very terrifying situation and
30 naturally, of course, if it were true, we would



1 not take the present stand we do, but because we
2 do not believe there is any possibility that the
3 British and foreign ships will drive the Canadian
4 ships from the Great Lakes, then we take our
5 present stand.

6 We shall prove, first of all, these fears
7 are absolutely groundless and without any founda-
8 tion. We shall prove, secondly, that these fears
9 are all born of the knowledge that the re-
10 moval of the natural barrier of the St. Lawrence
11 River rapids at long last will break down the
12 special privileged position which the shipowners
13 and shipbuilders in the Great Lakes have enjoyed
14 for many, many years. Thirdly we shall prove
15 that the solutions proposed by the shipbuilding
16 industry for national defence purposes are both
17 economically unsound, in the long-run interests,
18 for Canadian economy, and this is what I like to
19 call dangerous Maginot Line thinking.

20 In the event of war in this atomic age
21 if we just had our defence policy based on what
22 they are proposing, we would certainly soon face
23 complete extermination.

24 Let us look for a moment at the British
25 competition. In the briefs presented they were
26 mostly opinions with little or no facts. Their
27 quotations were made comparing this British
28 ship of a certain size with a Canadian bottom of
29 a certain size, and great emphasis was placed
30 upon the difference in wage rates.



1 Of course, we all know we trade with many
2 countries all over the world. We exchange pro-
3 ducts with countries who have vastly different
4 wage rates between ourselves and their countries,
5 but surely that cannot be the only thing on which
6 this case will depend. The mere fact that wage
7 rates are higher in Canada and in Canadian ship-
8 yards, and Canadian seamen's wages are higher
9 than the rate in Great Britain or Western Germany,
10 or in any other country for that matter, there
11 must be other factors beside merely wage rates.
12 So apparently the correct word to use may be
13 "prodded", I suppose, on the part of the Commis-
14 sion, who naturally are seeking some facts --
15 different groups, particularly the Canada Steam-
16 ship Lines and the Dominion Marine Association,
17 brought forward certain data for the Commission to
18 review, and I intend to examine this in some
19 detail.

20 I refer specifically to Exhibit 200 in the
21 case of Canada Steamship Lines. I want to say
22 this, that when a person goes to the length of
23 putting a thing in writing like this is, it
24 is sometimes a pretty dangerous thing unless
25 you can really justify what you have down. I
26 know the Commission has not got this in front
27 of them but I do not think you will need it be-
28 cause I have got a little sheet here which will
29 explain what I am going to say about this Ex-
30 hibit 200.



1 I am going to deal practically entirely with
2 the vessels on the left hand side with respect
3 to carrying wheat. I did not have time to ex-
4 amine the ore one, but in a somewhat cursory way
5 I see it shows the same picture and the same
6 argument will hold true for ore. You will note
7 they have taken these ships --. According to
8 the evidence the dual-purpose ships were chosen,
9 being what Canada Steamship Lines claims to be
10 probably the most efficient type of dual ship
11 that can come into the Great Lakes; and in giving
12 evidence Mr. Lowery pointed out, if I remember
13 correctly, that ship F was the one they were par-
14 ticularly fearful of. I think those are his
15 exact words. Ship F was the one that the
16 shipping people are particularly fearful of.

17 Ship F is a dual-purpose grain and ore.
18 Ships A and B are both of Canadian registry. A
19 is built in Canada at a present cost of about
20 \$4,600,000. B is another "Thunder Bay" of the
21 same type, what they called "an efficient Laker",
22 an efficient modern Laker, costing \$3,065,000
23 on U.K. costs. This is their best estimate
24 of U.K. costs and we will take that as proved.
25 I am not going to attempt to argue whether or
26 not these ships can come into the Lakes. That
27 is a question for a naval architect and I am
28 not going to get involved in it. I am going
29 to assume they can. I am going to fight them
30 on their own ground, that they can get into



1 the Lakes and get out successfully.

2 First of all I want to say this: it stands
3 to reason when a person analyses costs in anything
4 like a ship, the capital cost of the ship, the
5 interest and depreciation rates are very impor-
6 tant, and any little manipulation in the deprecia-
7 tion rate can cause a tremendous difference in
8 your cost rate. I maintain as I did yesterday,
9 or suggested yesterday in cross-examining one
10 of the witnesses, that to take a 25-year deprecia-
11 tion for a salt water ship is absolutely unsound
12 and is not the usual practice. The Maritime
13 Commission has, as I said, used 35 years as the
14 life of a fresh water ship and 20 years for a
15 salt water ship. I have spoken to many people
16 who are experienced shipping men and they have
17 told me the same thing.

18 COMMISSIONER BELANGER: You say the Mari-
19 time Commission?

20 DR. HOPE: The Canadian Maritime Commis-
21 sion in -- I think it is in the 1954 report, a
22 special paragraph where, it is the last official
23 report, where there was a discussion about the
24 age of this fleet; they say because the ships
25 are over 35 years old and because the usual use-
26 ful lifetime of a ship in fresh water on the
27 Great Lakes is 35 years, therefore there is this
28 block obsolescence.

29 THE CHAIRMAN: You say 35 years in the
30 Lakes and 20 years outside in salt water.



1 COMMISSIONER BELANGER: That is a difference
2 of 15 years.

3 DR. HOPE: Yes.

4 COMMISSIONER BELANGER: Being the differ-
5 ence between salt water and fresh water.

6 DR. HOPE: Yes. Mind you, not many of the
7 fresh water ships today -- there are a few of
8 them which are 50, I believe.

9 THE CHAIRMAN: There is even one that is
10 well into the 1800s.

11 DR. HOPE: I think there are 52 percent --
12 I think the Maritime Commission quotes 52.8 percent
13 of the ships in the Great Lakes are over 35 years
14 old. I think it is 52. Maybe it is 58.

15 COMMISSIONER BELANGER: What is the per-
16 centage of ocean-going ships which are over 20
17 years old?

18 DR. HOPE: I do not know that.

19 THE CHAIRMAN: Well, apart from the re-
20 sult of war losses, I suggest to you the percentage
21 of ocean ships over 20 years of age would be
22 certainly no less than the percentage of Lake
23 ships over 35 years of age.

24 DR. HOPE: That may be right, sir, but all
25 I say is, obviously if the Commission is going
26 to pay much attention to cost figures like
27 these, they will have to arrive at some useful
28 basis of the year life of a ship under two cir-
29 cumstances.

30 Now, certainly the evidence yesterday



1 from Mr. Irving was that -- I think he said that
2 a ship in salt water lasts considerably less than
3 a ship in fresh water. However, be that as it
4 may, I have assumed, then, this vessel A and B
5 in the Great Lakes should be depreciated at 3
6 percent and not 4 based on a 35-year life. So,
7 we took the net profit as shown in this statement
8 for ships A, B and F, the right hand column here,
9 the net profit before taxes, and adjusted that
10 by changing 1 percent difference between the 3
11 and 4, which means adjusting the value of the
12 ship by 1 percent to give a new value to the
13 ship.

14 So \$46,000 is added to the net profit of
15 ship A; \$30,000 to ship B; and no change in ship
16 F.

17 Now, I calculated this assuming no interest
18 return on the ship. You see, the way they did
19 it, they assumed a 5 percent interest on the
20 ship, and then what is left over they called
21 profit. That is what they did in Exhibit 200.
22 They have charged 5 percent interest as a cost
23 on the average value of the ship, and then what
24 is left over they called net profit before
25 taxes.

26 I am going to show the percentage return
27 on average capital of ships, which is another
28 way of looking at it, so I have to take the
29 interest charge they have got as cost and take
30 it out of cost and add it back into net income,



1 and that is shown there plus an adjustment for
2 net interest.

3 In other words, the interest on vessel A
4 would be \$115,000 entered as cost, and vessel B
5 \$76,625 as cost, and on vessel F \$68,000 as cost.
6 So we get profit without interest of \$277,000 on
7 vessel A, vessel B \$404,000; and on vessel F
8 \$364,900.

9 COMMISSIONER BELANGER: What return is
10 that on your average capital for those ships?

11 DR. HOPE: On the average capital, like
12 they have used there, which is half the original
13 value, the first ship A shows a return of 12
14 percent on average capital for its life. Vessel B,
15 which is a Canadian ship built in Great Britain,
16 26 percent; and vessel F, the one they are so
17 afraid of, the great threat, 17 percent.

18 You may say it is rather odd. It looks
19 funny at first blush. Something must be wrong.
20 The basic reason is, of course, that a dual-
21 purpose ship costs so much more than a Laker
22 built in Great Britain. The dual-purpose ship
23 built in Great Britain is \$4,300,000, whereas
24 its competitors, the Upper Laker like the
25 "Thunder Bay" built in Great Britain, is a little
26 over \$3,000,000. That is the chief reason for
27 this big difference.
28



1
2 The argument might be, "Yes, A and B vessels
3 have finished the season and one has made a 12 per
4 cent return on capital and another has made 26
5 per cent return on its average capital, but the
6 vessel F is free now to go and earn more money."
7 Well, it is true that vessel F has got more time to
8 go outside the Great Lakes and engage in trade
9 outside, but let us look at what kind of trade it
10 will be involved in. First of all, the witness
11 Mr. Irving said a ship like this would likely have
12 to be laid up for 21 days, so that an amount of 21
13 days earning power is withdrawn from the 135. That
14 does not leave so many days. When Mr. Lowery was
15 presenting this I asked him the question, what kind
16 of shipping would this ship get into, and he said
17 it may get into the ore trade from Venezuela
18 to the United States, and somebody said, after I
19 put the question as to what sort of competition
20 that would be and would there be some big ore
21 carriers, "Oh yes, big ore carriers -- a 64,000-
22 tonner". I think the Chairman said, "What if
23 the ship was made in Japan?", and somebody else
24 said, "Yes, it is Venezuela or Central American
25 registry". So here we have this ship F would
26 be going out -- I don't say it would always
27 have to meet this kind of competition -- but
28 it may be in the kind of competition with a
29
30



1
2 64,000-ton ship built in Japan under a South or
3 Central American registry, obviously a very low-
4 cost bulk carrier and, I believe, under long-
5 term contract. Yet this ship has to try to go out
6 and pick up trade to meet this kind of competition.
7 If that ship could go out and earn 5 per cent on
8 its investment for the balance of the 115 days and
9 make 17 per cent in Canada, then those two rates
10 will equal the 12 per cent, the rate that ship A,
11 the Thunder Bay, made in Canada, can make. We
12 know that ship A sometimes can get revenue from
13 storing grain; sometimes it is two or three cents
14 a bushel for storing grain during the winter
15 time.

16 THE CHAIRMAN: I am afraid I don't follow
17 you. When you get into mathematics you take me
18 into a realm where I have never shone.

19 DR. HOPE: Well, I think it is important
20 I go over it again, because it explodes exhibit
21 200.

22 THE CHAIRMAN: No. I don't follow your
23 statement about the 17 per cent.

24 DR. HOPE: Oh, I am sorry. What I meant
25 to say was this: if for 230 days this ship can
26 make 17 per cent return on its investment, and
27 then for 135 days it makes 5 per cent on its
28 investment, then the average for 365 days is
29 12.
30



1
2 COMMISSIONER BELANGER: Wait a moment.
3 Suppose this ship does not make any return at all
4 during the 135 days; suppose it just covers its
5 costs. This ship must still make a return of 17
6 per cent.

7 DR. HOPE: No, because for the 230 days,
8 this statement here has only taken the overhead of
9 that ship for 230 days. The balance of the overhead
10 has not been covered by anything, and it has to
11 earn money to cover that.

12 COMMISSIONER BELANGER: That is what I say.
13 You have the cost of a ship here of \$2,150,000, and
14 this ship during eight months earns \$30,650, so it
15 has to average 17.

16 DR. HOPE: For 230 days.

17 COMMISSIONER BELANGER: Very well, you agree
18 with that, but on the whole ship. But suppose the
19 ship for the other four months just covers and
20 nothing else -- just forget about the 5 per cent,
21 and I even go much lower than that --

22 DR. HOPE Yes, makes no return on capital.

23 COMMISSIONER BELANGER: Yes.

24 DR. HOPE: Well, the rate of average for
25 the year would be much less than 17.

26 COMMISSIONER BELANGER: It would not be
27 17.

28 DR. HOPE: It would be less.

29 COMMISSIONER BELANGER: Suppose during the
30



1 rest of the year this ship just covers its costs,
2 just its overhead and depreciation for four months,
3 and no return on capital, this ship would have
4 earned during the year just 17 per cent.

5 THE CHAIRMAN: It earned \$364,900.

6 DR. HOPE: No, in that case we would have to
7 raise these costs up to the 12 months, and it
8 wouldn't make \$364,000 for 230 days because the
9 costs against that \$364,000 are only the costs --
10 they took the overhead costs and multiplied them
11 by 230 over 365. Therefore, if the ship is going
12 to stay idle for the balance of the year you are
13 going -- by the way, ships A and B have their
14 overhead for 365 days against them, but in the
15 case of ship F in that statement there they have
16 not got for the full 12 months the full overhead.

17 COMMISSIONER BELANGER: If you assume the
18 ship does not go out at all during the four other
19 months, then I agree with you that your 17 per
20 cent return will decrease, but if it goes out and
21 just covers all the expenses for the four months--

22 THE CHAIRMAN: Including overhead.

23 COMMISSIONER BELANGER: Yes, but with
24 no return at all on capital, I say it will
25 make 17 per cent return.

26 DR. HOPE: Well, let us shift that around.
27 If it is in the Great Lakes for one week, one
28 out of 52 weeks, and you reduce all the over-
29 head and all the cost to a 52-week basis and
30



1 make 17 per cent, and for the rest of the year it
2 goes 51 weeks and makes no return, would you say it
3 makes 17 per cent?

4 COMMISSIONER BELANGER: Well, if you compute
5 it, the 17 per cent is computed on the total cost
6 of the ship and not on the cost reduced to eight
7 months. That is quite different. Anyway, I won't
8 argue with you. I don't follow it.

9
10 DR. HOPE: Well, simply taking a weighted
11 average, taking 17 per cent part of the year and
12 5 per cent the other part of the year, and taking
13 a weighted average, you get 12.

14 COMMISSIONER BELANGER: I shall think over
15 that.

16 DR. HOPE: I think you will agree that the
17 analysis is perfectly all right. Looking at the
18 T.R. McLagan, Exhibit No. 222, the same kind of
19 analysis: in the lake for 230 days, and idle the
20 rest of the time, the McLagan would earn 13.4
21 per cent on its investment at 7 cents a bushel,
22 and vessel A would earn 12 per cent.

23 MR. MUNDELL: Vessel B is U.K. flag, I
24 think.

25 COMMISSIONER BELANGER: Yes, Upper Laker
26 U.K. flag.

27 THE CHAIRMAN: Yes, built in Great Britain
28 and operated by a U.K. crew.

29 DR. HOPE: Well, that is an error I have
30 made. I knew it was a ~~thirty~~ sixty-five. I



1 knew it was a ~~thirty~~ sixty-five but I thought it
2 was operated by a Canadian crew. The only difference
3 there would be the difference of wage rates; mostly
4 the difference would be the wage rates, the
5 difference in wage rates between U.K. operated
6 ships.

7 THE CHAIRMAN: And the difference in cost.
8 One cost \$4,600,000.

9 DR. HOPE: The cost is in this analysis.
10 A ship that makes 26 per cent return on its invest-
11 ment, if owned by a Canadian and registered in
12 Canada, the only difference would be that its
13 costs would be a little higher, cost of wages,
14 and again we are assuming that for 230 days the
15 British wage rates, with the very small bonus
16 of \$18 a month, could be enforced, which I
17 doubt very much.

18 In fact, Canada Steamship Lines points out
19 it would be impossible to operate on less than
20 Canadian wage rates; there would be an industrial
21 strike. Actually, the wage rates are a very small
22 proportion of the total, and it is \$41,000 out of
23 a total expense of \$560,000, so it could not change
24 it by more than probably \$20,000.

25 The freight rate from the Head of the Lakes
26 to Kingston from 1951 to 1953
27 was 8-3/4 cents per bushel, but not 7. It is 7
28 in the analysis here. The Thunder Bay was
29 operating in 1953 when the rate was 8-3/4 cents
30 a bushel and the costs were about as high as

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1 they are now in 1953; the overall costs may be
2 slightly lower. In 1953 the gross revenue of the
3 Thunder Bay would be increased by \$236,600 --
4 1-3/4 cents a bushel and the net profit would be
5 increased by this amount to \$277,000 on ship A,
6 plus \$236,600, and the net profit that year would
7 rise to \$513,600, or 22 per cent on investment in
8 1953 on those costs at that time. Surely a very,
9 very profitable ship in 1953. The Thunder Bay
10 was not operating in 1952 and 1951, and the rates
11 were still 1-3/4 cents to Kingston.

12
13 THE CHAIRMAN: What is the rate today?

14 DR. HOPE: 7 cents.

15 THE CHAIRMAN: That is why it was drawn
16 in that fashion.

17 DR. HOPE: Yes, exactly. All I am trying
18 to point out is that on the basis of an obviously
19 higher rate the profit would be very high.

20 THE CHAIRMAN: Yes, and on the basis of a
21 much lower rate the profit would be much lower.

22 DR. HOPE: Yes.

23 COMMISSIONER BELANGER: You must take
24 into account all the ships are on the 7-cent
25 basis and all working full capacity.

26 DR. HOPE: I grant you that.

27 COMMISSIONER BELANGER: For 1953 the Thunder
28 Bay or any other ship certainly would not work
29 full capacity.

30 DR. HOPE: Well, we don't know, in 1953.



1 COMMISSIONER BELANGER: They might or might
2 not.

3 DR. HOPE: If the grain trade was a little
4 tough on them, then you have to treat them all the
5 same. The relative positions would not change.

6 What does this prove? On the basis of
7 looking at percentage return on capital, I freely
8 admit that it did escape me that ship B, although
9 it was U.K. flag, I assumed it was run by Canadian
10 seamen, but it wouldn't change the facts very
11 much. It would mostly change the wage rates, and
12 the wages of ship F are \$41,000 so it could not
13 change the total structure very much. It would not
14 make so much difference to the net profit of vessel
15 B; that is, operated by Canadian seamen it reduced
16 its net profit by \$20,000.

17 PROF. KEMP (Addressing Mr. Mundell and in-
18 dicating a document): May I see that?

19 DR. HOPE: I don't suppose we can. The
20 difference between the wage structure of \$41,000 --

21 THE CHAIRMAN: Let us stop a moment.
22 Concerning your last remark, Dr. Hope, what had
23 you in your hand, Mr. Mundell?

24 MR. MUNDELL: This is confidential in-
25 formation.

26 THE CHAIRMAN: Well, this is part of our
27 work and our staff's work. We take the figures
28 given by you and many other witnesses and do
29 our own analysis on them and, of course, it is
30



1 no disadvantage to you. It is simply that you
2 and everybody else will have to present your
3 case and leave us to do our own work on it, Dr.
4 Hope.
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DR. HOPE: Well, I would hazard a guess right now that the wage rates for vessel "B" would be more for Canadian seamen than U.K. seamen, and that the wage rate at the outside limit would be \$20,000 more. That would reduce the net profit of ship "B" from \$404,000 if it was Canadian operated to about \$384,000 and you still have a percentage return on capital over 20 per cent and the ship still has the opportunity of getting some storage earnings.

THE COMMISSIONER: We had the exact figures on that yesterday.

DR. HOPE: It runs about 30,000 bushels a year in storage. It has been running about 30,000 bushels in storage in the Great Lakes.

THE COMMISSIONER: Do you mean 30,000?

DR. HOPE. Yes, as high as 30,000 bushels in ships scattered around the Great Lakes.

THE COMMISSIONER: I will ask you again, do you mean 30 million?

DR. HOPE: Yes, excuse me please, I mean 30 million bushels.

MR. GERITY: I think 26.2 million is the greatest it has ever run.

DR. HOPE: Is that the top?

MR. GERITY: Here is the figure filed from the records of all lake carriers. It is Exhibit No. 7.



1 DR. HOPE: We may have an opportunity to
2 get some information in future about that. That is
3 all I meant to say.

4 This analysis would indicate the most efficient
5 dual-British ship entering the seaway, engaged in
6 the grain trade could not by any stretch of the
7 imagination be as profitable as a big laker bought
8 in Britain and operated by Canadian seamen on the
9 basis of capital return on investment.

10 You cannot look at the dollars that are left
11 over from the 5 per cent of the capital cost. If
12 one ship costs \$4.3 million and another \$3 million,
13 it is a different story.

14 Glancing at the ore situation, the same thing
15 is shown in ore shipping. A Canadian built laker
16 on the basis of return on capital, when they stand
17 idle for the balance of the year is just about as
18 profitable as a dule-purpose boat built here in
19 Great Britain. I would not suggest for one
20 moment, if this analysis shows on a basis of
21 230 days operating in Canada, the average earning
22 would be 17 per cent on the investment, but no
23 doubt the comparative rate throughout the world
24 will average 17 per cent. Certainly it would be
25 a regular gold mine over the years if bulk
26 carriers could earn that rate.

27 Therefore I say this table does not show
28 a significant difference between the returns on
29 capital of a dual purpose British ship and a
30



1 large scale Canadian laker, and certainly if you
2 could buy the laker outside of Canada it would be
3 a better investment than a Canadian laker could
4 operate on.

5 I submit that Exhibit 200 does the very
6 opposite from what they intended it to do. It does
7 not prove that Canadian ships will be driven out
8 but it does prove it is a better investment.

9 THE COMMISSIONER: That is still the subject
10 of a question mark in my mind. You have to get it
11 across the ocean.

12 DR. HOPE: I am not competent to even try to
13 analyse that question. Getting it across the ocean
14 and through the lakes would be something that
15 probably a naval architect or a qualified seaman
16 might give the answer to, but I believe on the basis
17 of economics it will not drive out Canadian ships
18 provided our people have the privilege of buying
19 the ships at a relatively low cost. If you have
20 to buy it in Canada it is on the borderline --
21 only on the borderline -- that is about all.

22 Now, there is one other statement which
23 was filed, a document of the Marine Association,
24 Exhibit No. 93, and 165. Now, I maintain there
25 are a few little booby-traps in this one that
26 we have to watch very carefully.

27 Now, my first submission of an error on
28 this kind of an analysis is the fact the Dominion
29
30



1 Marine Association has gone to the extreme in
2 reducing the life of a fresh water ship to 16-1/2
3 years and allowing 6 per cent depreciation. You
4 will notice all these things hinge on what de-
5preciation rate is going to be charged. I still
6 maintain the rate should be 3 per cent rather than
7 6 per cent.

8 MR. MUNDELL: I wonder if we should mark
9 these documents for identification, if nothing
10 else. They are not really exhibits.

11 THE COMMISSIONER: How are you going to
12 mark them for identification? I do not think at
13 this stage we should start a new series.

14 MR. MUNDELL: They could be inserted in the
15 record.

16 THE COMMISSIONER: Yes, I think we had better
17 have the reporter make a copy of them and insert them
18 in the record.



Calculation Of Percentage Returns On
Capital

	<u>Vessel A</u>	<u>Vessel B</u>	<u>Vessel F</u>
Net Profit per ex.2.00	\$116,000	\$297,130	\$296,000
Plus adjust. for 35 yr. life	46,000	30,650	--
Plus adjust. for no int.	<u>115,000</u>	<u>76,625</u>	<u>68,000</u>
Profit with- out int.	\$277,000	\$404,405	\$364,900
Half orig- inal capital	\$2,300,000	\$1,532,500	\$2,150,000
Return on capital	12.0%	26.4%	17.0%

(Page 5470 follows)



1 DR. HOPE: Now, the second suggestion I
2 think is an error, and that is as to the laying
3 of the corporation tax on to one ship. In other
4 words, the corporation tax or profit tax is 20
5 per cent on the first \$20,000 and 40 per cent on
6 any amount over that. On their analysis they took
7 a certain ship and charged all income tax to that
8 ship. The corporation tax is meant to be a tax on
9 a business as a whole. If you have one ship which
10 shows \$40,000 loss and another which shows \$40,000
11 profit, as far as income tax is concerned the
12 corporation pays nothing. If you are going to have
13 a corporation tax, or profit tax, and I do not
14 think there will be a great deal of argument if
15 you call it a profit tax, many people would be in-
16 clined to include that profit tax as part of cost.
17 Certainly it should not be proportioned to one
18 ship which happens to be making a profit.

19 For instance, you might take a farm on which
20 you raise hogs and cattle, and the net profit
21 for the farm is probably zero, but you decide
22 the cattle made a profit and on that basis you
23 have to take it off the hog enterprise.

24 The third error I think is using average
25 cost figures. The analysis was for 1955 and the
26 rate was 4 cents per bushel based on an average
27 of these four ships for a four-year period.

28 Let us examine these four ships for the
29 four-year period from 1951 to 1954 on the basis
30



1 of average earnings. This is an example of the
2 actual earnings for a 200-day period for the four
3 ships. It is not a **synthetic** calculation, it is
4 the actual practice. The average freight rate per
5 bushel was 5.2 cents and the present rate is four
6 cents on the basis of 200 days, and 164 hours per
7 round trip. I think that statement came out of
8 Exhibit 5, and it was based on the average amount
9 of lost time going to the bay ports.

10 This would amount to 29.3 trips and the total
11 bushels would be 19,836,100.

12 The operating costs per day are \$1,789 and
13 depreciation at 3 per cent is \$644. Therefore,
14 the daily operating costs are \$2,433, and the total
15 operating costs for 200 days would be \$486,600.
16 The handling costs at one-cent per bushel would be
17 \$198,361, making a total cost of \$684,961. The
18 gross returns would be \$1,031,477, and the net
19 profit with no interest would be \$346,516.

20 The return on average capital was 16.1 per
21 cent and on the basis of the present rate of
22 4 cents, the net profit is reduced to \$108,483.
23 This is a return on an average investment of
24 5 per cent on capital.

25 Now, I understand they say at the present
26 rates they could not survive.

27 Now, to turn for a moment to lake shipping
28 rates, after looking at these calculations, let
29 us look at the lake shipping rates. Canada
30



1 Steamship Lines says that "grain rates are set
2 by force of competition", and in one other brief
3 I think the word used was "fierce competition".

4 In 1954 the rates were reduced on two
5 occasions. A ceiling on these rates is set and
6 controlled by the Board of Grain Commissioners.
7 Something was said, and again I quote:

8
9 "They have not and do not demand
10 "excessive increases in rates when times
11 "are good and their rates are based upon
12 "operating costs with reasonable margin
13 "for profit. The control of maximum rates
14 "by the Board of Grain Commissioners prevents
15 "lake shipping companies from taking short-
16 "term temporary advantage of shortages of
17 "shipping."

18 "Furthermore, they are always here
19 "and cannot go elsewhere from time to
20 "time as world trading conditions change
21 "in order to obtain more lucrative employ-
22 "ment elsewhere. They stand or fall by
23 "Canada, not only in time of peace but
24 "also in two major wars."

25 "The change in grain rates from
26 "the lakehead to Montreal which have taken
27 "place in recent years occurred in Feb-
28 "ruary, 1951 when the rate was increased
29 "from 13 cents to 16 cents per bushel
30 "for wheat. In May, 1954, when the rate



1 "was decreased to 14-1/2 cents per bushel
2 "for wheat, and August, 1954, when a further
3 "decrease to 13-1/2 cents per bushel was
4 "made. (The reductions in rates in 1954
5 "are sound evidence of the fact that rates
6 "are competitive, the only reason for the
7 "reduction was that the volume of grain
8 "and ore had fallen off and there were more
9 "ships available than were required to
10 "move the tonnage offering)."

11
12 Now, I would like to refer to Exhibit 227
13 in the light of what I have read. Exhibit 227
14 shows the lake freight rates on grain to Montreal
15 from Fort William in cents per bushel by months
16 since 1947 to date. Now, you will know there has
17 been no change, no variation below the maximum
18 for the last eight years and yet the rates are
19 said to be set, based upon the costs of operation.



DD

6/56

1 THE CHAIRMAN: What do you say, Dr. Hope,
2 the maximum in 1955, for instance, is 16 through-
3 out.

4 DR. HOPE: Maximum of 16 cents, yes, the
5 only time it went below the maximum since 1947
6 was starting in July 1954.

7 THE CHAIRMAN: I did not hear that you
8 had made any such qualification.

9 DR. HOPE: I am sorry, I certainly meant
10 to say that, I will refer to that change in a
11 moment. First of all, I would like to say this,
12 the statement has been made that the rates are
13 set by costs and a fair profit and I would like to
14 pose this question, "Whose costs, high-cost
15 ships, low-cost ships, or what?" Now then, as
16 far as that is concerned, I wish to make this sug-
17 gestion, that the Canadian Wheat Board was the
18 one responsible for the drop, that is my opinion.
19 They had what were sometimes called negotiations,
20 certainly it was negotiated and the Canada Wheat
21 Board negotiating with some of the grain shippers
22 decided they could go along at 16 cents and a
23 further negotiation dropped it still more. I
24 have no doubt the Board can verify that and
25 will, that the cost dropped from 16½ to 14 cents.

26 THE CHAIRMAN: If the comment is to
27 be that these people, without any urging from
28 anyone, reduced his rates, I never heard of a
29 businessman reducing his costs just for kindness,
30 he does it because he has to.



1 DR. HOPE: I agree with you, but I suggest
2 that if you examine what took place in July and
3 what took place in August in respect of these
4 rates dropping, and whether or not they started
5 to cut rates to get the business, whether or not
6 the average rates have been consistently at that
7 level.

8 Now, if rates are said to be fixed by
9 fierce competition, why has there been no change,
10 because these people have to send in submissions
11 to the Board of Grain Commissioners and the maximum
12 has been going on for year after year and month
13 after month and yet we are told they are set by
14 their own cost figures or by fierce competition.

15 THE CHAIRMAN: I have heard an argument
16 in another place that an absolute equity of price
17 between various suppliers is just as eloquent
18 of fierce competition as it is of no competition.

19 DR. HOPE: I would go along with you on
20 that. If a firm, a large firm, we will say, comes
21 forward with a certain offer, if you do not
22 meet the offer you go out of business, that is
23 perfectly true, but that does not imply, that
24 is not the same as saying that month after
25 month, year after year there is no variation in
26 their rate, that is what I mean.

27 Another thing, all the way through this
28 hearing there has been a fear without proof
29 that low-cost British ships, because they are
30 low-cost, will automatically drive down rates



1 to a certain level. Now, if these low-cost
2 British ships would drive down the rates, why have
3 not low-cost Canadian ships done the same? How
4 about these low-cost ships -- and we have seen
5 some of them, the largest ones, their cost of
6 carrying grain to Kingston are not 7 cents by a
7 long way, they are more in the neighbourhood of 5
8 cents. Why have not they forced the rates down,
9 and if they do not force the rates down why do
10 they fear someone else knocking them down only
11 when they come into the Great Lakes? They won't
12 go along with the rest of the boys and I say that
13 very plainly.

14 Now, how should rates be set under free
15 enterprise? We do not have to have a lot of
16 books on economics or anything like that, the
17 businessman knows under free competition. It is
18 not the low-cost that forces that rate, nor, is
19 it the high-cost. Somewhere, I think there are
20 thirty owners of ships in the Great Lakes, I do
21 not know, I have not counted them, maybe it is
22 a big point, I am not sure, but maybe from the
23 50 or 60 boats carrying grain varying all the
24 way from 50 years old to being built last year,
25 some which are small, some which are large,
26 some efficient and some not efficient. Even
27 the Canada Steamship Lines must have some very
28 inefficient boats as well as efficient ones, and
29 somewhere down the line the rate is set and
30 someone says, "It is not worth my while having



1 the ship", and that will vary over the year. But
2 I maintain that has never operated in the Great
3 Lakes trade since 1947 because the figures do
4 not prove it, the figures are against it, free
5 competition has not taken place within the Great
6 Lakes. Now, I say this, what will be the future
7 pattern for British ---

8 THE CHAIRMAN: Mr. Belanger thought you
9 should be making statements over on Wellington
10 Street, not here, they have a pretty competent
11 staff.

12 DR. HOPE: I have been in touch with them
13 not so long ago.

14 THE CHAIRMAN: What does this weighted
15 average mean? That has not been explained, I do
16 not think.

17 DR. HOPE; As I understand it, sir, each
18 shipping company files with the Board their total
19 number of bushels that they have carried,
20 their total receipts they have got for it, and
21 then it is a grant total of all the grain carried
22 for the season against the total received,
23 one divided against the other which will give
24 you the price per bushel.

25 THE CHAIRMAN: There is nothing like
26 reading a row of figures to show ---

27 DR. HOPE: Well, if the weighted aver-
28 age is equal to the maximum, nobody can charge
29 against the maximum, in an arithmetical
30 average it will be 16 cents, it would have a



1 fractional difference that you could make.

2 THE CHAIRMAN: That, of course, is true
3 up to May 1954.

4 DR. HOPE: Yes, and it is still true be-
5 cause they are still running at $13\frac{1}{2}$ cents.

6 THE CHAIRMAN: I suggest, the $13\frac{1}{2}$ must be
7 an average of $14\frac{3}{4}$ and 11 and everything else all
8 through.

9 DR. HOPE: Oh, I see what you mean.

10 THE CHAIRMAN: So there has been competi-
11 tion or, at any rate, you do not prove there is
12 no competition by citing what is an average.

13 DR. HOPE: In other words, you would sug-
14 gest that since 1947 there has been competition
15 when the average has been running at $13\frac{1}{2}$ cents.
16 I know we keep in close touch with these figures,
17 the Freight Administrator send us a statement
18 when there is a change in freight rates on
19 grain and I have in my office now Statement 1
20 and Statement 2. Statement 1 says there is a
21 change in the freight rates on grain and he
22 gives it and gives the new rate, just the one
23 figure. Two months later, No. 2, there has
24 been a change in rates on grain, he gives me
25 another figure and it happens to be the same
26 one as is in these averages. Now, I do not
27 know how the Board gets it, someone must have
28 told them that is the rate.

29 THE CHAIRMAN: I suggest he got it the
30 same way as the $13\frac{1}{2}$, he got the weighted



1 average.

2 DR. HOPE: I am sorry, I did not look into
3 that.

4 THE CHAIRMAN: I am here today as a Chair-
5 man of a Board, but I have had occasion to pre-
6 side where these allegations were considered
7 and I was a Judge and they have to be pretty care-
8 fully considered, Dr. Hope.

9 DR. HOPE: Yes, I realize that. Now, the
10 future pattern: If the Lakes are opened to
11 British trade, as far as the grain ships are con-
12 cerned, the high-cost ships will be replaced by
13 lower-cost ships, no doubt about that, because
14 these ships from Britain, if the dual-purpose
15 ones will come down to a level and ship rates can
16 be lowered and the rates will be lower under free
17 competition. But, I submit that the evidence
18 does not indicate that if they are excluded,
19 this will take place. If there has been any
20 lack of competition then it will be continued
21 and it is only because they are fearful of some-
22 one's ships wandering in and doing this and
23 that, they do not want them to come in and take
24 over the Great Lakes. There is more opportunity
25 for the full benefits to be felt on a large
26 scale and more economically-sized ships. In
27 fact, I would go further and say this, that,
28 judging by these A, B, C ships, British ships,
29 if they are allowed to come in and our Canadian
30 operators are allowed to buy ships and bring



1 them in and get into the grain trade, well then,
2 the rates on grain will run close to $1\frac{1}{2}$ cents a
3 bushel lower than they would be without the com-
4 petition or the possibility or threat of competi-
5 tion.

6 Now, what does that mean to us? It means
7 somewhere around \$4 million or \$5 million on grain
8 alone, and ore has a bigger tonnage than grain,
9 so the evidence seems to indicate that if competi-
10 tion is brought into the Great Lakes, then the
11 gains will be quite substantial on the basis of
12 grain, I would say conservatively, \$3 million a
13 year.

14 Now, supposing I say I am all wrong on
15 this, supposing I say the Board disagrees with my
16 argument entirely and the Government disagrees
17 with what I am trying to put forward and dire
18 consequences take place and British ships are
19 eliminated from the Great Lakes and we cannot buy
20 ships from Britain -- excuse me -- I got excited
21 there -- supposing if to open up the Lakes, that
22 I was wrong in my argument and ships were
23 driven out, they were destroyed, which I do not
24 for one moment agree with, sir, however I will
25 assume they are, the dire consequences start
26 to operate, or do they? Yesterday we saw
27 some evidence about grain, the grain will be
28 pouring out of the elevators in the Fall and
29 the shippers won't be there and the farmers
30 won't have anyone to carry the wheat, how would



1 they adjust themselves to that situation? The
2 only natural thing for them to do would be to
3 start to bid for Lake carriers long before they
4 need them. You only have to examine the situation
5 on Lake rates, and if you need a ship to carry
6 grain in April you are not going to get hot in
7 April, you are going to get hot in January. That
8 is very, very true, there happens to be a scarcity
9 of shipping, the rates will be somewhat higher in
10 order to encourage them to go in, is there any-
11 thing wrong in that particularly, what is wrong
12 with that? They will be offset by when they
13 are lower. Are fluctuating freight rates something
14 to be feared? I am quite positive the Canadian
15 farmer does not worry too much about it. I saw
16 something in a brief the other day that when grain
17 goes up 2 or 3 cents they worry. I buy grain,
18 I am a hog grower and I buy it to feed my hogs.
19 If the freight varies 2 cents a bushel, which is
20 quite substantial, it will mean about 3 cents
21 per hundred to me and I pay \$3. Am I going to
22 get bothered about that? The next time it
23 changes, instead of \$3.03 it is \$2.97, is that
24 going to harm or bother me? I maintain it is
25 significant over a period of time if there is
26 a daily or monthly change of a few cents because
27 of the fluctuating freight rate/^{it is}going to be a
28 bagatelle.

29 Now, as far as ore is concerned of this
30 country, ore, the ore ships won't be there,



1 the poor ore people will be left to their fate.
2 They need ore boats and cannot get them. What kind
3 of management do you think the steel manufacturers
4 have to allow their business to be at the mercy
5 of ships a few thousand miles away? The answer
6 is quite simple, they should own their own fleets
7 like the United States do, that would solve the
8 problem, and if they do not they would go ahead
9 and make contracts to see that the Algoma Steel
10 is not left at the mercy of any ship. That is
11 a ridiculous argument, in practice it would never
12 take place.

13 Now, in wartime these ships would not be
14 there, they would be scattered around and leave
15 poor Canada with no ships to carry its grain, no
16 ships to carry its pulpwood, a tragic situation,
17 and they were all close to death in Europe, no
18 wheat, no bulk, nothing, and the reason that
19 Canada could not give them what they needed was
20 they forgot all about it. That is an impossible
21 argument and that is exactly what will happen
22 in the next war. All these are merely red
23 herrings, they are scattered through all these
24 briefs, red herrings just to confuse the issue.

25 THE CHAIRMAN: I quite agree with you
26 that Europe, whenever they need our products, will
27 get ships here, but what about the other situation,
28 an emergency in our Canadian shipping in case of
29 a war?

30 DR. HOPE: We would have to bid for it,



1 to completely depend on ore carriers. Then, of
2 course, there would be contracts with these ore
3 boats, I understand that one company has made
4 contracts until 1965, they made contracts with
5 eight Canadian ship firms, even foreign firms.
6 So, I again say this is the time to scare people,
7 it is not within the realm of possibility.

8 Now, looking at the national defence argu-
9 ment, I notice the shipbuilding industry has put
10 great stress on it, maybe that has a certain
11 psychological effect because people can be scared
12 sometimes, not on economics, they cannot under-
13 stand economics but they can understand being
14 shot at and the fear of getting into a war is
15 something very close to them. Therefore, most
16 of the argument of the shipbuilding people is
17 based on national defence, and there won't be any
18 ships in the Lake, they will be foreign ships
19 which will run away and leave us in the lurch;
20 there won't be any seamen and no shipyards, they
21 will be weak or non-existent. When the emergency
22 arises there won't be any shipyards to jump in
23 there and build vessels. That is what I call
24 Maginot Line thinking, old-fashioned thinking
25 in terms of World War I and World War II while
26 they should be thinking in terms of World War
27 III.

28 You must think of this fact, all of us
29 know that today the United States' strategic
30 Air Force is flying continuous^{-ly}/twenty-four hours



1 a day, my friends, right at this minute there
2 are thousands or hundreds of American aircraft
3 flying and they are doing it night and day, guard-
4 ing against a sneak attack. The same with des-
5 troyers, they are not taking any more chances
6 because in the case of an atomic war zero hour is
7 there, there is no time to build ships. In the
8 case of a war we have not got time, time is not
9 on our side, it is a 30-day strategic venture
10 and sometimes I think it would be better if it
11 were 7 days. We know perfectly well that if an
12 atomic war comes we are in some respects almost
13 helpless. We have one escort destroyer, we have
14 a small number of minesweepers. In terms of the
15 number of submarines, as Mr. Jackson showed the
16 other day, 700 submarines are not defence, are
17 as weak today as they were in 1939. In 1939
18 England didn't have one escort destroyer, she
19 had 135 destroyers and she faced that situation.

20 Now, I want to refer to that exhibit
21 which I was asked about yesterday, what relation
22 had this to do with the question of defence,
23 Exhibit 229. There are some very good lessons
24 to be learned from this if we were willing to
25 learn them. It is a chart showing the monthly
26 totals of shipping losses of British, Allied
27 and neutral ships by enemy action and total
28 number of U-boats and operated U-boats. You
29 can see that in the first part of the war when
30 there were not very many U-boats, you can see



1 by the little dotted lines at the bottom there
2 are very, very few. There were some losses by
3 aircraft action but mostly U-boats, completely de-
4 fenceless. A little later on you will notice the
5 sinkings go up. In 1941 when the Americans came
6 into the war they were completely undefended, and
7 just look at the sinking of American boats off
8 the coast, and it is tragic, they were sinking
9 them like flies, that was the big peak in 1942,
10 then what happened? A drastic drop, the number of
11 submarines dropped a little. We were learning to
12 defend ourselves because at that time we had the
13 convoy system and in March 1943 Canada and Great
14 Britain joined hands and for the first time had
15 a complete air protection over the Atlantic Ocean.
16 We now had the ships, the planes and the exper-
17 ience, and inspite of the fact that Germany had
18 a lot of U-boats, we put them under water and
19 kept them under.

20 Now, I am not trying to say for one moment
21 that a part of our final victory was not due to
22 a great building programme of merchant ships,
23 both here and in the States, because, in 1943
24 we were actually building more ships than were
25 being sunk. However, the U-boat slaughter was
26 broken in 1943, but chiefly because of our de-
27 fence, and had we had the same kind of equip-
28 ment in 1939 there would never have been that
29 sinking.

30 Now, what are the lessons? We were



1 totally unprepared in 1939 and the United States
2 was totally unprepared in 1942 and we are almost
3 as unprepared now, only not in the air. Shipping
4 losses were high, with no protection, but shipping
5 losses were low when well protected. Even with
6 large numbers of U-boats we must be prepared to
7 protect our shipping the day war breaks out and
8 not wait for rapid building, in the atomic age
9 we cannot wait for a shipbuilding programme or an
10 aircraft building programme or we will be there
11 with too little too late. We must have a plan
12 and get the Navy and Air Force ready to go into
13 action. I suggest this and I maintain our present
14 Naval fleet programme is simply insufficient to
15 do that. We started a naval building programme
16 in 1951, I think it was 1951, four years ago,
17 and we have one escort destroyer in action today
18 and fourteen ready to come out some time soon.
19 Churchill said in the last war, he was complaining
20 bitterly that it took 21 months to make a des-
21 troyer, now with our modern boats we cannot do
22 it in 21 months, it is more like 36 months.

23 THE CHAIRMAN: Wasn't it said in the
24 paper today that Admiral Moulton, who is retir-
25 ing, had succeeded in putting over in Canada
26 in four years what it took six and a half years
27 in Britain and the United States to do.

28 DR. HOPE: I did not see that, but in
29 the last war it took us 6 years. Now, this
30 can be achieved provided we are willing enough



1 to pay the price. I will tell you, when the
2 people in Canada are scared enough or wise enough,
3 unless they are unmindful as to the danger, we
4 need a larger and more active Navy. By the way,
5 in the last war as many submarines were sunk by
6 air raft as destroyers, most people do not realize
7 that, aircraft were just as important in sinking
8 submarines. I have put on the exhibit that dear
9 little aeroplane, the "Seamew", which is English
10 for sea gull, can hover above the submarine and
11 can go at a speed of 250 miles an hour. That
12 is the type of thing that we need for instantaneous
13 attack. Then there is the importance of a larger
14 and more active Navy. The naval ships at the
15 present time, we have about 12,000 men in the
16 aircraft and a very small Merchant Marine building
17 and I think a modest naval programme in terms of
18 price, and yet we are able to keep about 12,000
19 men going. I suggest if we have the kind of
20 naval prOgramme that we need for an atomic war,
21 an instantaneous attack, a sneak attack, we
22 probably need double the building we are doing
23 today. Now the problem is to convince the
24 taxpayer that this is necessary, but I am far
25 more convinced, Mr. Chairman, that if we accept
26 that as an answer to say that the shipbuilding
27 yards should be kept alive by giving the
28 ships a monopoly on the Great Lakes and forc-
29 ing these people to buy merchant ships at higher
30 cost, you are far more likely to get the people



1 behind you if you say, instead of telling them
2 that ships can be bought cheaply, you should tell
3 them they are weapons, they are building weapons.
4 I think the people of Canada will accept that
5 and I think it is the only real approach to defence
6 in this age. But to simply have our shipyards
7 building ships at a high cost in order to keep
8 the shipyards active -- but we can do the same
9 thing as in the last war, build ships 2 or 3 years
10 later when we are all smashed up.

11 So, therefore, we can have almost the best
12 of three worlds if we look at this properly; we
13 can have adequate protection in case of a sneak
14 attack, we are willing to pay the cost of our
15 aircraft factories and shipyard building as a
16 means of defence. Secondly, we can have an ade-
17 quate and safe nucleus of shipbuilding to be
18 expanded and it will not be 7,000 men, it will
19 be more than that. Three, low-cost transpor-
20 tation and probably competition within the
21 coastal waters of Canada.

22 Now, in summarizing this argument, Mr.
23 Chairman, we believe that the evidence has shown
24 conclusively that British-operated ships, the
25 most efficient ones that can come into the Lake,
26 will not be able to drive out even ships built
27 in Canada. British ships may compete but they
28 cannot be strong contenders against Canadian-
29 registered ships bought in Britain -- the same
30 would apply to foreign ships. Now, if the



1 status quo on coastal shipping laws is maintained
2 the added competition or even threat of competition
3 will definitely result in lower rates than would
4 be the case if restrictions were applied. The
5 whole economy of Central Canada and into the
6 Western Provinces would gain.

7 Now, there will be a cost to this, the
8 cost will be shifted to the owners of ships in
9 the Great Lakes. We have to face these facts,
10 they have had a certain privileged position, whether
11 they were builders of ships in the Great Lakes or
12 whether they were operators of ships in the
13 Great Lakes, they have had the privileged protec-
14 tion of the natural barrier. They will lose
15 this monopoly position but they will meet it and
16 they can meet it and I say they should meet it.
17 They will meet it by repairing or replacing old
18 ships by ships bought in the cheapest markets
19 of the world. If they are allowed to do this,
20 they have nothing to fear from the new competi-
21 tion.

22 The shipbuilding yards of Canada can be
23 maintained on a safe nucleus basis by an ex-
24 panded building programme. The sooner the
25 people of Canada realize that, the better. We
26 have built our aircraft carriers in Britain
27 and I am not sure that our naval architects
28 have not got the ability to build small air-
29 craft carriers. I do not think we should be
30 afraid of it, perhaps we should do that.



1 In view of the atomic age, and now this
2 age of the guided missile, five years from now it
3 will be the guided missile war, and the most urgent
4 need is for an expansion of the building pro-
5 gramme.

6 For these reasons, Mr. Chairman, the
7 Canadian Federation of Agriculture earnestly re-
8 quests that the Board recommend no restrictions
9 on British ships entering the Great Lakes or any
10 restrictions as to where Canadians can buy mer-
11 chant ships.

12 THE CHAIRMAN: Thank you, Dr. Hope.

13 That concludes the session for today and
14 we will adjourn until Monday morning at 10.00
15 o'clock.

16 ---At 3.50 o'clock the hearing rose.

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ROYAL COMMISSION ON COASTING TRADE

VOLUME 17

PART D

Report of Ottawa Sitzings
commencing January 4, 1956
(for rebuttal or supplementary
evidence)

January 9, 1956

pp. 5497 to 5692





E R R A T A

Volume 17, Part B, page 5249, lines 17 - 24:

"...I may say this point is discussed in Volume
"12, page 388, line 15. The fact is that
"Captain Misener built three of these canallers,
"but he tells me he required 21 canallers because
"the elevators at Port Colborne will not allow
"grain to be unloaded unless it is taken out,
"so he must have it on a through rate."

Should read:

I may say this point is discussed in Volume 12,
page 3858, the fact is that Captain Misener
bought six canallers but he tells me that he
requires seven to unload one large Upper Laker
since on a through bill of lading to Montreal
he cannot put grain into the transfer elevator
unless he takes it out.



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I N D E X

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MONDAY, JANUARY 9, 1956.

---Upon resuming at 10.05 A.M.

THE CHAIRMAN: Yes, Mr. Mundell.

MR. MUNDELL: Mr. Chairman, a switch has been made and our note has been slightly altered. Dominion Steel and Coal Corporation will not be making a presentation and we have put Dominion Marine Association at the foot of the list for today if it should be reached. In the meantime Dr. Hope has something to add to his presentation of the other day.

THE CHAIRMAN: Yes, Dr. Hope.

DR. HOPE: In the discussion on Friday with Commissioner Belanger I realized I probably had made an error. I was arguing on the basis I thought I had made certain calculations. I went back and reviewed what I had done and I realized there was an error in the calculations. Therefore I would like to file this statement here, which is an amended statement, especially for vessel F. The error arose from the fact vessel F was only used for 230 days in the Great Lakes. I had only done it on a basis of the first five months and therefore tended to give a lower rate, and this sheet here explains that.

In other words, vessel A and vessel B
is exactly the same as on the previous sheet



1 of Friday, but vessel F in the far column is
2 It is
3 changed./ changed to and shows a return on capital
4 for 230 days of 26.9 per cent. The real return
5 on vessel F is 26.9 per cent, and if the vessel
6 had been earning at a rate of 10 per cent for the
7 balance of the year, the rate of return would be
8 26.9 multiplied by 230 plus 10 times 135, divided
9 by 365 days, which gives a return of 20.6 per
10 cent on average capital.

11 This can be indicated in another way as
12 follows: net profit for 230 days \$364,900, net
13 profit for 135 days \$78,000, making a total profit
14 of \$442,900 for the use of capital for 365 days.
15 The return on average capital of \$2,150,000 is
16 20.6 per cent.

17 I would also like to comment on Exhibit 200.
18 I jumped to the conclusion vessel B was operated
19 under Canadian Registry and it was not so and I
20 have this to say about that, vessel A is Canadian-
21 built and Canadian-operated. If vessel A were
22 British-built but Canadian-operated, to show
23 its probable earnings the only necessary ad-
24 justment would be to increase the profit of
25 \$277,000 by the reduction in the annual de-
26 preciation charge due to the lower capital
27 cost of the vessel. Vessel A if built in Britain
28 cost \$1,535,000 less than if it was built in
29 Canada. Were there 3 per cent depreciation
30



1 rate the net profit would be increased by \$46,000
2 to a total of \$323,000, which would amount to 21
3 per cent return on average capital. Thus a
4 ship of the Thunder Bay class, purchased in Britain
5 and operated under Canadian Registry would be more
6 profitable than the same ship built in Canada, but
7 it would be somewhat less profitable on the basis
8 of returns on capital than a 21 per cent versus
9 26.4 per cent and 26.9 per cent than either vessel
10 B or F, but only provided the crews wages and
11 general provisioning could be maintained at a much
12 lower level than on Canadian registered ships.
13 We believe however, that experience will show that
14 British ships remaining continuously in the Great
15 Lakes for 230 days every year will not be able to
16 maintain this wide disparity in working conditions
17 and therefore the profitability of the B vessel and
18 the A vessel purchased in Britain will tend to be
19 equalized.
20

21 Vessel F with a rate of profitability when
22 in the Great Lakes equal to vessel B looks like a
23 risky venture. In order to be as profitable as
24 vessel B on a four-year basis it would have to
25 maintain its full earning power for 135 days in
26 salt water at the same rate as within the Lakes
27 and at the same time be out of commission for
28 about two to three weeks for overhauling.

29 This does not seem a reasonable likelihood.

30 This ship would face the same problems



1 within the Great Lakes as vessel B, the constant
2 pressure
/to bring its wage levels up to the Canadian
3 standards.

4 Therefore we suggest the evidence indicates
5 that based on returns on capital invested the profit-
6 ability of vessel A, if built in Britain and op-
7 erated under Canadian Registry, and vessel B would
8 tend to be equalized.

9 Vessel F, the dual purpose vessel, because
10 of its high capital cost, even when built in Britain,
11 in the long run would not likely prove to be as
12 profitable as either vessel B or vessel A if con-
13 structed in Britain and operated under Canadian
14 Registry.

15 In this analysis, vessel A, purchased in
16 Canada and built in Canada and operated by Canadians
17 looks to be the least profitable of all the ships.
18 But even that does not necessarily prove it would
19 be driven out of business. That probably is at the
20 top end of probability but if this vessel should
21 be made in Britain the lower cost of the Thunder
22 Bay class ship would tend to make it more profit-
23 able and vessel A would move down the scale and
24 probably will stay in business.

25 One more change I would like to make is
26 on Exhibit 227 where we had more discussion about
27 freight rates on the Lakes from Fort William to
28 Montreal. I would like to correct the year 1954.
29 Exhibit 227 has in one column the maximum rates
30



1 and on the right-hand side the weighted average
2 rates. These weighted average rates were not
3 accurate in this respect, the Board of Grain Com-
4 missioners did not show a monthly average figure
5 for 1954 and I was relying on two estimates given
6 me by the Feeds Administrator. I looked up the
7 D.B.S. publication on grain and they gave the
8 weighted average figure for each month for 1954,
9 and these are the figures for 1954.

10 Weighted average for May, 14.7 cents, which
11 is a change from 16 cents; June, 14.3 cents,
12 which is a change from 16 cents; July 13.7 cents
13 which is a change from 14-1/2 cents; August 13.5
14 cents which is a change from 14-1/2 cents;
15 September 13.5 cents, which remains the same;
16 October 13.5, which remains the same; November 13.8
17 cents, which is a change from 13-1/2 cents.

18 Now, with respect to 1955 there are no
19 official publications yet giving the weighted
20 average, but my friend in the Feeds Administration
21 Division has told me I think three times this
22 year he has checked the private trade in Winnipeg
23 and each time they have told him the rate has
24 not changed since they advised him on August 25th,
25 1954, that it was 13-1/2 cents a bushel.

26 The Canadian Wheat Board calculates each
27 month the weighted average freight rate for
28 shipping grain from Fort William to Montreal.
29 That weighted average is a combination of rail
30



1 transport, water transport and everything else.
2 The rail rate has not changed the total weighted
3 average and the Wheat Board freight rate has not
4 changed. I received that information this morning
5 from the Grain Division of the D.B.S.
6

7 The source of information for Exhibit 227
8 should be changed to show from 1947 to 1953 it
9 would be the reports of the Board of Grain Com-
10 missioners, for 1954 it would be the D.B.S., and
11 for 1955 I would have to say that it is the Feeds
12 Administrator, from private information from the
13 trade.

14 MR. GERITY: May I ask if these figures for
15 1954 are wheat or grain?

16 DR. HOPE: They are wheat.

17 MR. GERIN-LAJOIE: I wonder if it would be
18 helpful if you amended Exhibit 227 and filed it
19 to avoid confusion.

20 THE CHAIRMAN: I think it should be. There
21 has been reference in argument to the document as
22 filed now and I do not think it can be removed by
23 that reference. I think we had better have a
24 new exhibit filed as Exhibit 234.

25 ---EXHIBIT NO. 234: Lake freight rates for
26 wheat - Fort William to
27 Montreal (cents per bushel).

28 THE CHAIRMAN: Thank you, Dr. Hope.
29
30



1
2 ARGUMENT ON BEHALF OF THE CLARKE
3 STEAMSHIP COMPANY

4 ---Mr. Brock F. Clarke, appearing.

5 THE CHAIRMAN: Yes, proceed Mr. Clarke.

6 MR. CLARKE: The Clarke Steamship Company
7 has been in the coastal trade of Canada since 1921
8 and it and its associated companies carry on
9 coastal services on the St. Lawrence from Montreal
10 down to the end of the North Shore and also proceed
11 to the southern part of Labrador, to Newfoundland,
12 to Gaspe, to the Magdalen Islands and there is
13 also a service to Pictou, Nova Scotia, to Prince
14 Edward Island and to the Magdalen Islands.

15 These services are detailed on page one and
16 two of our brief, which is B-68.

17 We advocate four things: (1) restriction
18 of Canada's coastal trade to Canadian registered
19 and operated vessels; (2) that such trade be
20 not restricted to Canadian-built vessels although
21 we propose a number of suggestions to afford a
22 fair measure of encouragement and protection to
23 Canadian ships.

24 (3) We feel very strongly that whatever
25 decision is reached by the Commission should be
26 appointed uniformly to the coasting trade through-
27 out Canada and (4), which is really ancillary,
28 the amendment of section 22 of the Canada Shipping
29 Act, so that the absolute discretion of the
30



1 Minister will be replaced by specific provisions
2 setting forth conditions under which registration
3 of a vessel in Canada will be permitted. This
4 amendment, of course, would only be necessary if
5 the Commission recommended a change in the law
6 restricting the coastal trade to Canadian registered
7 but not Canadian-built vessels. If such a recom-
8 mendation were made by the Commission and acted
9 on by the government, under Section 22, if it was
10 not amended, it would give the Minister the right
11 to keep out vessels built outside of Canada and
12 might in effect defeat the recommendations made
13 by law if the Minister so decided at any particular
14 time.

15 We have made our suggestions in this regard.
16 We feel that vessels built outside Canada should
17 be allowed to be registered in Canada provided
18 they are not more than 10 years old. This is the
19 period of time stipulated in the Transport Act,
20 and since vessels have a normal life of at least
21 25 years, we feel 10 years is not unreasonable
22 as an age to allow a ship to be registered in
23 Canada.

24 That is the only comment I will make on
25 that last recommendation because I think it is
26 fairly self-evident and speaks for itself.

27 I will deal with each of the recom-
28 mendations we have made, and the first is
29 restriction of coasting trade to Canadian
30



1 registered vessels.

2
3 I believe it is clear, and has been demon-
4 strated before the Commission demonstrating that
5 the cost of operating a ship registered in the
6 United Kingdom and manned by a British crew is
7 considerably less than the operation of a similar
8 ship registered in Canada with a Canadian crew
9 and under Canadian conditions.

10 Evidence has been given by our company that
11 operating a ship of the size and type of the
12 Novaport, which is the size and type of ship op-
13 erated on the Montreal - Newfoundland service, the
14 difference in cost for the year is approximately
15 \$65,000 for wages alone, in Exhibit 191, stated
16 that the difference with respect to a 10,000-
17 tonner was \$107,492 per year. There has been a
18 great deal of other evidence along these lines
19 but I need not labour the point because I believe
20 it is almost self-evident in view of the submissions
21 that have been made before the Commission.

22 Now, taking into account this difference
23 in the cost of operation for a Canadian registered
24 and made ship, it is inevitable that if British
25 ships are allowed to continue to operate in the
26 coasting trade of Canada, the result will be
27 that ultimately these coastal services will be
28 carried out entirely by British registered and
29 British maned vessels. It is evident that a
30 Canadian ship is at a disadvantage and at a

1. The first of these is the

fact that the Commission has not yet

received any information from the

Government of the United States

regarding the results of its

investigation of the

allegation of

the Commission has not yet

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1 serious disadvantage, and the law of economics,
2 being what it is, in the long run it is our sub-
3 mission if that state of thing continues that a
4 Canadian registered ship will be driven out of
5 business. That may take some time, but I think
6 it will happen ultimately. It is true Canadian
7 coastal vessels are now subject to competition
8 from British ships, at least up to the present
9 time some Canadian ships have been subject to
10 actual competition, and you might ask why they
11 have not gone out of business.

12 I say this merely in the explanation, one
13 of the reasons, one of the reasons is a large
14 portion of the coastal operations of the Canadian
15 fleet have had the protection in the form of the
16 canal system, which has not permitted vessels,
17 except very small vessels which would not be
18 competition even if they were capable of crossing
19 the ocean, and therefore that portion of the
20 Canadian coastal fleet has been without competition
21 and has not been subject to British competition.

22 Now, there are companies of the Canadian
23 coastal fleet that have been subject to
24 competition from British ships. There have
25 been a number of reasons why they have been
26 maintained in business and one is the hope
27 there may be a change in the coastal laws of
28 Canada because that has received attention
29 over the past few years almost since the end
30



1 of the war.

2 Another reason is that British ships have
3 been reluctant to go into coastal trade in Canada
4 at the present time because they are not certain
5 as to the future. They do not know what decision
6 may be made by the Canadian government as to
7 coastal trade and they therefore may not have wished
8 to build up a business that later would be taken
9 away from them.

10 Moreover, Canadian operators have a temporary
11 advantage in their knowledge of local conditions
12 and the local trade in which they have been engaged,
13 and due to all these factors they have remained in
14 business.

15 Nevertheless, in certain areas already
16 competition has been felt and we feel that this
17 competition will continue and we feel this
18 competition will continue to aggravate itself
19 and with completion of the seaway will reach very
20 large proportions. We feel, therefore, it is
21 necessary to weigh the advantages and disadvantages
22 to Canada and to Canadians by restricting the
23 coastal trade of Canada to Canadian registered
24 and operated ships.

25 Now, we have dealt with these in some
26 detail, and I shall deal with the advantages
27 of such restriction. It would mean the continued
28 employment of a considerable number of Canadian
29 seamen as officers and crew of Canadian vessels.
30



1 The companies I represent employ 375 Canadians
2 during the summer and during the winter about 120.
3 Now, ours is certainly not the largest organization,
4 and it is evident that the number of people
5 employed represents a considerable number of
6 Canadians, and these men, a large number of them
7 anyway, have been brought up and made seamanship
8 their career and many would suffer extreme hardship
9 if they had to seek other work. Men such as
10 officers and engineers might find it very difficult
11 to find other means of employment because they are
12 specialized personnel.

13 First of all there is a considerable amount
14 of money for wages for the crews, stores and
15 replacement, repairs, and there is another item of
16 income tax paid by the crews themselves, as well as
17 income tax paid by the companies operating in the
18 coastal trade. This represents an amount of
19 about \$1-1/2 million a year and only a small
20 proportion of this money spent in maintenance
21 and repairs would be expended in the case of
22 British registered ships, British registered and
23 maned vessels coming into Canada.

24 The third item is related to the first,
25 and that is the question of income tax which
26 naturally is dependent on whether the operator
27 makes a profit, but in the economy in which we
28 operate, while though profits certainly are not
29 guaranteed, people are in business to make a
30



1 profit and it is natural to assume that profits
2 should be made if there is a healthy economy. The
3 Canadian operator who makes a profit is subject to
4 Canadian income tax. Operators and owners of
5 British vessels coming into Canada are exempt from
6 income tax in Canada.
7

8 We feel the coastal trade is a domestic
9 industry and people who operate in coastal trade
10 should be subject to income tax the same as
11 Canadians and Canadians should not be put to this
12 disadvantage. The exemption provisions are in
13 Section 10(1)c of the Income Tax Act and Article V
14 of the Canadian-U.K. Income Tax Agreement. We
15 submit that this exemption is really intended to
16 cover international trade to prevent complications
17 with vessels coming from overseas. Certainly in
18 our opinion it should not apply to people actually
19 engaged in business in Canada on a large scale
20 and operating in the coastal trade.

21 The fourth point I will mention is the
22 question of defence and the maintenance of
23 essential services.

24 I think a great deal has been said before
25 the Commission about the necessity of having
26 vessels available in case of war or other
27 national emergency. Apart from that, which I
28 consider most important, there is the fact that
29 many of the coastal services are essential to
30 the economic well-being of Canada, and there



1 are other factors besides war which could cause
2 disruption. British ships might be attracted to
3 Canadian coastal waters during periods when there
4 are surplus vessels and depressed charter rates,
5 but may leave the trade should better opportunities
6 present themselves elsewhere. The cost of
7 operating a ship might change due to a change in
8 the value of the pound.
9

10 There are a number of factors which could
11 encourage the British ship owner to take his ship
12 away from Canada and in that case Canada would have
13 no control over the matter and would be in grave
14 difficulty in carrying out these essential services.
15 For the same reason we feel there is a greater
16 stability of rates with Canadian registered ships
17 because they are not subject to these fluctuations.
18 They have a bond with Canada and many of these
19 ships carry out permanent services and would not
20 wish to disrupt their whole business for a
21 temporary change.

22 Now, you might say couldn't the British
23 ship owner do the same thing, couldn't he be
24 interested in Canada. I only make one comment,
25 Mr. Boyle, who spoke for the Canadian Shipping
26 Federation, which has a large number of ships
27 registered outside Canada was asked about this
28 question at page 3764. Commissioner Wickwire
29 said:
30

1. The first part of the report is devoted to a general

description of the work done during the year.

2. The second part contains a detailed account of the

work done during the year, and is divided into two

sections: the first section contains a general

description of the work done during the year, and

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description of the work done during the year, and



1 "COMMISSIONER WICKWIRE: Will they
2 "be interested in taking a flock of ships
3 "to the head of the Lakes and bringing ore
4 "down to other ports in Canada and taking
5 "something else back, bulk cargoes?
6

7 "A. That is problematical. It depends
8 "on what the rate will be. If the rates are
9 "attractive enough they might be in there.
10 "If they are not, they won't be."
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1 We have filed as Exhibits 81 and 82 a
2 comparison between the fluctuation of freight
3 rates to Newfoundland in the period 1949-1954,
4 and Exhibit 82 shows the very large fluctuation
5 in charter rates during this same period which was
6 intended to indicate that although the charter
7 rates vary very considerably, and have certainly
8 since the war, the rates charged in the coastal
9 service have maintained a certain regularity and
10 have not been subject to these large fluctuations
11 although I admit some changes have been made ,
12 but they are actually not as marked as with
13 charter rates.

14 THE CHAIRMAN: Dr. Hope put a different
15 interpretation on the regularity of rates on the
16 lake. What do you say to that interpretation
17 applied to the rates to Newfoundland. Were you
18 here on Friday?

19 MR. CLARKE: No, I wans't.

20 THE CHAIRMAN: Dr. Hope pointed out there
21 was pretty strong evidence a combine existed.

22 MR. CLARKE: Where, Mr. Chairman?

23 THE CHAIRMAN: On the Lakes.

24 MR. CLARKE: The regularity of the rates
25 to Newfoundland are in part the result of the
26 fact that there is competition, not only with
27 other steamship companies but competition with
28 the railway, which is subject to control by
29 the Board of Transport Commissioners, and the
30

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REPORT OF THE PHYSICS DEPARTMENT

FOR THE YEAR 1955-1956

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CHICAGO, ILLINOIS

1956

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1 Board of Transport Commissioners are subject them-
2 selves to the statute passed at the time of the
3 union of Newfoundland with Canada, that set the
4 rates. In fact in some cases they have gone below
5 that ceiling but that ceiling is so low it has set
6 the pattern for rates to Newfoundland which does
7 not vary too much.

8 COMMISSIONER WICKWIRE: You have stated,
9 and I think it has been proved, that the greatest
10 stability of rates as you term it, is of advantage
11 to the ship owner, but has it been demonstrated
12 in evidence before us the stability is of advantage
13 to the consignee?

14 MR. CLARKE: I do not know whether it has
15 been demonstrated. I can endeavour to put my views
16 before the Commission. Stability can be of
17 importance, and that certainly is of advantage to
18 the shipper of where one rate is quoted one day
19 and another another. Naturally the people who
20 are in business are subject to these fluctuations
21 and one man may purchase goods or transport goods
22 at a higher cost than another due to the fact
23 that rates are continually being raised and
24 lowered due to fluctuation. I do not think
25 that is a healthy condition for the shipper or
26 the consignee because he never knows where he
27 is at.

28 THE CHAIRMAN: It is business. He has
29 to get to work and transport goods as easily
30



1 or as quickly as he can. That is what he is in
2 business for. If everyone was guaranteed X,
3 the cost of transport was Y, and the dollar price
4 was Z, this business would be as easy for a man
5 with a wooden head as for one with a brain. He
6 must get out and scramble; that is the basis of
7 ordinary business life.

8
9 MR. CLARKE: For instance take our railway
10 system. The railways are able to keep their rates
11 the same and they can only under certain circum-
12 stances change their rates, and that is of benefit
13 to Canada to maintain the rates and the rates will
14 be the same at all times.

15 I agree there might be a temporary advantage
16 for a business man who could go out and get a
17 ship at a distressed rate or lower rate, but in the
18 long run I think the shippers as well as the con-
19 signees prefer to know they have a continuity of
20 service and stability of rates, and they do not
21 want to be faced with high rates this week and
22 next week lower rates.

23 For instance at one time there may be a
24 lot of goods offered and another time no goods.
25 I can give an example; we find in the Fall of
26 the year there is always a lot of cargo. There
27 are various considerations. We could say we
28 have a full ship, and the last person who arrives
29 says "I want to ship this particular cargo".
30 We could charge him anything we liked because



1 he is in the position he has to get the cargo
2 there. We do not think that would be fair and if
3 we did that there would be bound to be complaints
4 made against us.

5 COMMISSIONER WICKWIRE: Somebody else would
6 move it.

7 MR. CLARKE: Not necessarily because it
8 could be in the Fall of the year all the ships are
9 full.

10 THE CHAIRMAN: All the limited number of
11 ships that are there but if the rates went up you
12 would have a couple of ships from England.

13 MR. CLARKE: It would be a temporary raise in
14 rates. It might be 500 tons of cargo.

15 THE CHAIRMAN: For 500 tons of cargo you
16 are not going to sacrifice the good will of a
17 customer.

18 MR. CLARKE: That is the same season that
19 ships coming in to take grain over to the United
20 Kingdom. It is not only a busy season here but
21 throughout the world. There is a heavy demand
22 for ships anywhere in the world at that time
23 and it is just a time when a person would not be
24 in a position to hire a ship. A person may
25 have a parcel and it may be a very important
26 parcel. For instance, it might be a part he
27 wants to get down to repair a piece of machinery
28 which cannot be operated until that part arrives
29 and he may be willing to pay any price. We
30



1 wouldn't charge him extra because of his peculiar
2 position and difficulty.

3 THE CHAIRMAN: Package trade is a very small
4 part of this whole problem.

5 MR. CLARKE: That is our principal business
6 and we have looked at it principally from the point
7 of view of package trade freight. Bulk cargoes
8 are carried by our companies but only to provide
9 return cargoes on our voyages where there is very
10 little return package trade. In other words, the
11 shipment goes one way and if it is possible we try
12 to pick up bulk cargoes in order to obtain some
13 revenue.

14 COMMISSIONER WICKWIRE: I just have heard you
15 suggest that shippers and consignees are more in-
16 terested in the stability of rates than they are of
17 getting products moved as cheaply and expeditiously
18 as profitable. I want to know if there is any
19 evidence shippers, growers, producers or consignees
20 are more interested in greater stability of rates
21 than they are in what I suggest.

22 MR. CLARKE: I think any shipper is interested
23 in getting his goods shipped at the least possible
24 cost. I do not think there is any question about
25 that and I am not talking as a ship owner when I
26 say if it is \$25 one year and \$75 the next, he
27 would prefer it to be \$50 for the two years. That
28 is just my opinion.



Take B
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Jan.9/56

1 THE CHAIRMAN: Oh yes, but you say you
2 haven't got a situation where it will be 25 and
3 75, because you have got competition governed by
4 Transport Board rates.

5 MR. CLARKE: That is correct.

6 THE CHAIRMAN: So you would not have a 25
7 and 75 proposition; you would have a 25 and a
8 56 proposition, if you had unlimited competition.

9 MR. CLARKE: What we would have, actually,
10 is that the shipper would be given the protection
11 of a statute which derogates from the normal
12 economic laws and we are asked then to compete
13 with that statute in free competition. In other
14 words, the result would be that we would be
15 asked to take the low return when conditions are
16 depressed and to be subject to a statutory rate
17 when conditions are good.

18 THE CHAIRMAN: I agree. So, therefore,
19 you must go along with Mr. Wickwire that it
20 is only the shipping company and not the shipper
21 who is interested.

22 MR. CLARKE: In that particular instance,
23 yes. All our trade is not in competition with
24 railways. That is only the one place that
25 we are in competition with the railway and it is
26 the one shown in that example, -- the trade to
27 Newfoundland and to those parts of Newfoundland
28 which are naturally looked after both by the
29 steamships and by the railways.

30 I have attempted to show some of the



1 advantages which would result from the restric-
2 tion of the trade to Canadian-registered vessels,
3 and I think it is only fair to look at the other
4 side of the picture and see the disadvantages
5 of such restriction.

6 The first is that concerning the availa-
7 bility of vessels. That is the first argument
8 that has been advanced before the Commission and
9 is one that we can readily see, because at the
10 present time there would not be sufficient Canad-
11 ian-registered vessels to look after all the
12 coastal trade of Canada. That we admit. But
13 that is because other vessels have been allowed
14 to operate in the coastal trade, and would not
15 necessarily be the case if the trade were res-
16 tricted to Canadian-registered vessels. We
17 admit that any change would require a period of
18 transition and that period of transition might
19 take several years because if ships had to be
20 built it would take some time to build them, and
21 in order to organize the Canadian coastal trade
22 with Canadian-registered ships would take
23 some time; but that is a temporary matter. Once
24 the law was stated to be that Canadian trade
25 was restricted to Canadian-registered vessels,
26 then ships could be built which could provide
27 for all the coastal services of Canada. If we
28 said, well, Canada cannot do without these other
29 ships; what is the position of Canada if these
30 ships which are not subject to conditions of



1 control -- these ships which now exist -- and in
2 future if it is not restricted to Canadian-regis-
3 tered ships it is our respectful submission
4 that ultimately there would be no Canadian-
5 registered ships. So, we would be completely at
6 the mercy of somebody outside of Canada. Whether
7 they are friendly now, I submit, is not the point
8 because we cannot depend on what may happen in
9 the future. I think the destiny of Canada
10 must be under the control of the Canadian Govern-
11 ment representing the Canadian people. We feel
12 that all the coastal services could be provided
13 for by Canadian-registered ships.

14 COMMISSIONER WICKWIRE: Somebody the
15 other day indicated that the company he was inter-
16 ested in had provided a service for somewhere
17 around 100 years, and during two wars, and they
18 were still maintaining that service: It so
19 happens they buy U.K. ships -- Furness, Withy.

20 MR. CLARKE: Yes, we admit that. During
21 the war their larger ships which were on the
22 Atlantic run were taken away from the run and
23 they did maintain the other services which were
24 from New York ---

25 THE CHAIRMAN: For war service?

26 MR. CLARKE: I understand it was for
27 war service.

28 THE CHAIRMAN: Well, do you think the
29 fact that a ship was Canadian-registered would
30 prevent it being taken away for war service?



1 MR. CLARKE: No, but it would be a decision
2 of the Canadian Government.

3 THE CHAIRMAN: You know it is all NATO
4 fleet.

5 MR. CLARKE: Well, I believe that is the
6 deep-sea fleet.

7 THE CHAIRMAN: Is this availability argu-
8 ment you are making one which applies to the Lakes
9 or deep-sea?

10 MR. CLARKE: To the coastal trade, Mr.
11 Chairman.

12 THE CHAIRMAN: If you are going to speak
13 about deep-sea, speak about it, but if you are
14 speaking about the Lakes I suggest to you the
15 Canadian Government has excellent control of that
16 by failing to open a lock gate. No more effective
17 control could be imagined.

18 MR. CLARKE: I don't think the Canadian
19 Government could refuse to allow a foreign ship
20 of a friendly power outside of the Lakes.

21 THE CHAIRMAN: In the interests of war
22 the Canadian Government could do what they wished
23 so far as controlling the Great Lakes fleet is
24 concerned, and no one would be more strongly in
25 favour of it than those who depended on it to
26 get the wheat which they eat.

27 MR. CLARKE: The ships I was thinking of
28 particularly were the ships operating in the
29 Eastern coastal trade.

30 THE CHAIRMAN: Those are deep-sea ships.



1 MR. CLARKE: Not necessarily, Mr. Chairman.
2 Some of them are coastal ships and some of them
3 are capable of being deep-sea.

4 THE CHAIRMAN: Yes, but they are neverthe-
5 less deep-sea ships. You can't get much rougher
6 water than some of the water you operate in, and
7 any ship operating in that water would be called
8 a deep-sea ship.

9 MR. CLARKE: Well, some of the ships are
10 capable of operating in the deep-sea trade, that
11 is true. Not all of our ships are in that situa-
12 tion. I am not trying to appear difficult. Some
13 of our ships are not deep-sea; they are smaller
14 ships especially designed for the coastal service.

15 THE CHAIRMAN: Well, any competition would
16 be so specially designed.

17 MR. CLARKE: That is correct.

18 THE CHAIRMAN: Well, by being specially
19 designed it would be locked to the trade, wouldn't
20 it?

21 MR. CLARKE: Well, some of the ships
22 during the winter, for instance, were used. Nor-
23 mally they would not be of any use to anybody.
24 In times of war when ships were at a premium
25 and anything was better than nothing they were
26 used for outside services such as in the Carib-
27 bean, but those, I admit, are a special situa-
28 tion, but it was within the power of the Canadian
29 Government to decide whether they went out or
30 whether they stayed in, and it was a matter of



1 Government policy, not a matter subject to the
2 control of some other Government.

3 The other disadvantage, which may be men-
4 tioned is the question of higher transportation
5 costs, which we have dealt with, perhaps, a little
6 before. We have shown in our submission of the
7 Newfoundland trade that the difference in cost
8 between a Canadian-operated ship and a British-
9 operated ship, assuming both ships cost the same
10 -- we are not considering a Canadian-built ship --
11 was about 8 percent of the total amount of revenue.
12 That is not a very large amount when related to
13 the particular items sold. In other words, we
14 compared the retail price of certain articles
15 to the freight, and then if you take 8 percent
16 of that freight you get a very small amount on
17 any particular item. I need not labour it; they
18 are set forth at page 3499, Volume 11 of the
19 transcript, and they vary from two-thirds of
20 a cent on a suit -- that is, the 8 percent would
21 amount two-thirds of a cent on a suit of clothes
22 which would probably cost \$50. The larger
23 percentages are on items of food such as a pound
24 of butter, where the difference would be one-
25 seventh of a cent; and on three pounds of apples
26 it would be half a cent, and on two 28-ounce
27 tins of tomatoes it would be half a cent. I
28 admit that only applies to the package trade
29 freight, but the difference in cost in dollars
30 to the shipowner due to the volume of what is



1 carried, so far as the shipowner is concerned
2 the increased cost is very large, but when that is
3 divided up amongst the various consumers -- and
4 I am talking about the ultimate consumer, the
5 person who buys the pound of butter or the suit
6 of clothes or a washing machine costing \$214,
7 where the extra amount is 17 $\frac{1}{4}$ cents -- we submit
8 it does not have any influence on the ultimate
9 retail price.

10 I admit that a different set of circum-
11 stances may apply to bulk trades. Naturally, our
12 business being chiefly the package freight we
13 have looked at it from that point of view, but
14 even from the point of view of the bulk freight --
15 and I am treading on dangerous ground there be-
16 cause that is not a business I know and I have no
17 figures to base myself on -- except this, that
18 bulk carriers, presently used in Canada on the
19 Eastern seaboard are not the largest bulk carriers
20 that could be used. Very often they are old
21 10,000 tonners that were "Park" ships and are
22 now under British registry, and that is the type
23 of ship that is presently being used. Evidence
24 has been given before the Commission that size
25 is the most important factor in the cost of a
26 bulk carrier. In other words, the larger the
27 size the more economical the ship. Reference
28 was made, I think, to the supreme example of the
29 64,000 ton ore carrier operated from Venezuela
30 to the American East Coast. We feel that the



1 people who are engaged in the bulk coastal trade
2 could build ships which would carry their products
3 at about the same cost as they are now carrying
4 even though they were registered in Canada. I
5 am not talking about Canadian-built -- perhaps
6 even Canadian-built -- but I don't say they could
7 compete with a similar ship built in England
8 and manned in England, because then the economics
9 again would apply and they would get cheaper
10 rates, but if it is a question of maintaining
11 the status quo I think that Canadian-registered
12 ships by building more efficient ships could
13 maintain the present cost. I admit I am not an
14 expert in this, and I admit I haven't got any
15 evidence to point to, specific evidence, except
16 the evidence which was given with respect to
17 other trades by other carriers.

18 I come to the second point of our submis-
19 sion which is, why we do not advocate the res-
20 triction of Canadian coastal trade to Canadian-
21 built ships. In other words, we have advocated
22 Canadian-registered ships for the reasons I have
23 submitted; why do we not recommend Canadian-
24 built ships as well?

25 First of all, we feel that Canadian coas-
26 tal carriers must compete with other mediums
27 of transport; the trucks, the bus lines, the
28 airways and the railways. All these other med-
29 iums of transportation are entitled to bring
30 in equipment from outside. They do not have to



1 manufacture that equipment or buy equipment manu-
2 factured in Canada. They can obtain their equip-
3 ment from any source of supply they wish. Some
4 of these are subject to a small duty, the maximum
5 being about 15 percent, and others, such as
6 airways, are subject to no duty at all. In other
7 words, a Viscount aircraft brought into Canada,
8 built in England or other Empire country, can be
9 brought in duty-free

10 THE CHAIRMAN: The maximum is 15 percent?

11 MR. CLARKE: I must confess I was thinking
12 more of railway equipment. I don't know what the
13 tariff is.

14 THE CHAIRMAN: Are there any railway loco-
15 motives or cars brought into Canada?

16 MR. CLARKE: There are. Take the new
17 Canadian Pacific train, the Transcontinental; that
18 is manufactured by the Budd Manufacturing in the
19 United States.

20 THE CHAIRMAN: And there is a 15 percent
21 duty only on that equipment?

22 MR. CLARKE: That is what I understood.
23 I admit I haven't got the figures here or the
24 tariff here. I looked at certain figures submitted
25 by the Canadian National Railway; they submitted
26 an exhibit, or perhaps dealt with it in their
27 submission, concerning the tariff, and the
28 highest tariff they mentioned, I believe, was 15
29 percent. Of course, the tariff may be higher
30 outside. For instance, the tariff on a train



1 brought in from the United States may be greater
2 than one brought in from England.

3 THE CHAIRMAN: That is why I asked, because
4 there are certainly no cars or locomotives brought
5 in from England. They are shipped out of Canada
6 to Commonwealth countries.

7 MR. CLARKE: The only ones I know of
8 brought in from England -- and they were not loco-
9 motives -- were the subway cars for the Toronto
10 subway.

11 THE CHAIRMAN: Well, they are not really
12 in the coasting trade.

13 MR. CLARKE: No. What I was saying, I
14 was thinking of the British preferential tariff,
15 not the tariff from the United States which may
16 be higher. We are thinking of ships, for
17 instance, built in England. We admit that we
18 think ships should be built within the Common-
19 wealth just as they have to be today, but we
20 don't think, except if they are built outside,
21 they can be brought in subject to a higher tariff,
22 but we submit or we believe that the Canadians
23 should be allowed to bring in British-built
24 ships either duty-free or at a low rate of tar-
25 iff.

26 COMMISSIONER WICKWIRE: The shipyards
27 certainly won't agree with you.

28 MR. CLARKE: I know, Mr. Commissioner,
29 and perhaps the Commission won't either, but I
30 am submitting our reasons, why we think it is



1 so and hope we will be able to convince you.

2 These same people, for instance the airways, who
3 are entitled to bring in aircraft built anywhere
4 in the world, are at the same time given the
5 protection that aircraft can only be operated in
6 Canada if registered in Canada. There may be
7 exceptions in connection with the D.E.W. line, or
8 special movements of that sort, but I refer to
9 the exhibit filed by Canada Steamship Lines,
10 Exhibit No. 110, in that connection.

11 The other factor is that some Canadian
12 ships operating in the coastal trade of Canada,
13 and particularly when larger ships are involved,
14 will endeavour at least to compete in world trade
15 during the off-season of navigation. The Lake
16 ships don't do that now for the most part because
17 they are not particularly designed for outside
18 traffic, but some of our ships, for instance,
19 in the wintertime try to keep occupied, and we
20 have to compete with ships from anywhere else
21 in the world. We are at a disadvantage because
22 we have to pay Canadian wages which are higher;
23 we may have to use stores which were purchased
24 in Canada and which may have cost more, but
25 we feel we would be put at a greater disad-
26 vantage if we had, in addition to that, to sup-
27 port the cost of a Canadian-built ships, which,
28 as has been placed in evidence before the
29 Commission, would cost a minimum of 50 percent
30 more than a ship built in Great Britain.



On the other hand, we have submitted a number of measures which we feel would encourage people to build ships in Canada and to give work to Canadian shipyards, and they are all set forth in our brief, but they may be summarized as follows:

Continuation of the provisions of the
Canadian Vessel Construction Assistance
Act;

Government loans at low-interest rates for the building of ships in Canada;

Permitting a depreciation allowance of 110 percent of the cost of construction, as we understand is now the case in Great Britain, instead of 100 percent.

I am not saying all of these would apply necessarily, but I am saying some or all of these could be applied in combination.

A construction subsidy which need not cover the entire difference between British and Canadian costs if other inducements are also offered;

and

A duty or sales tax of, say, 10 percent of the cost or value, as the case may be, of ships built in the British Commonwealth.

And the Commission may go so far as to say that no foreign-built vessels should be brought into Canada. An exception may be made to vessels



1 which are considered to be British ships, such
2 as reparations vessels, which are specially dealt
3 with under subsection 2, Section 669 of the Canada
4 Shipping Act.

5 THE CHAIRMAN: By "foreign" you mean non-
6 Commonwealth?'

7 MR. CLARKE: Non-Commonwealth, yes. That
8 is a matter which we have not gone into too much
9 because we would think if we built a ship and it
10 was open to us to build it anywhere we would pre-
11 fer to build it in the U.K.

12 COMMISSIONER WICKWIRE: Would you prefer
13 to have your annual overhauling and repairs done
14 in the U.K.?

15 MR. CLARKE: No, but it costs less to do
16 it in the U.K. than it does in Canada, and if
17 the trade were restricted to Canadian-registered
18 ships I think they would naturally have their re-
19 pairs done here even though it may cost them a
20 little more, but with the trade open to British-
21 registered ships they would prefer to do them in
22 England because that is where their seat of
23 operation is, even apart from cost; and when the
24 cost factor is taken into account they would
25 prefer to do them in the U.K. Anyhow, that is
26 what they do, and the business is lost to Canad-
27 ian shipyards.

28 COMMISSIONER WICKWIRE: You are advo-
29 cating so far as your company is concerned that
30 they should be permitted to buy ships in the U.K.



1 I am asking you where would you have your over-
2 hauls and repairs done?

3 MR. CLARKE: Today we can do them anywhere
4 and we do them in Canada. So, I think that is
5 the answer, because we are entitled to do them in
6 the U.K. if we so desire, but our ships are
7 operating in the Canadian coastal trade and in
8 regard to some of them it would not be feasible
9 to bring them over there. For the British ship-
10 owner, it is the reverse; he is just bringing them
11 home by getting repairs done in the U.K.

12 COMMISSIONER WICKWIRE: Yes.

13 MR. CLARKE: For that reason I might
14 mention, no matter what decision is made by this
15 Commission in other respects, we certainly recom-
16 mend that Section 54 of the Customs Act should
17 be amended so that the provisions of this section
18 should apply not only to repairs and equipment,
19 but also to all modifications, alterations, changes,
20 and out-fitting of vessels which are later opera-
21 ted in the coasting trade of Canada, and in the
22 case of major modifications, alterations or
23 changes the period of one year should be extended
24 to five years. The present situation is that
25 if you repair a ship in a foreign yard within
26 one year of bringing it into the Canadian
27 coastal trade, those repairs are subject to duty.

28 There are two things, and we have al-
29 ready brought this up before the Commission, but
30 I may just recapitulate. One of the things is



1 that the Customs Department has interpreted
2 "foreign" to mean not "outside of Canada" but "out-
3 side of the British Commonwealth". We consider
4 it should apply -- and that is our next submission
5 -- that the provisions of the section should
6 apply to all such repairs made outside of Canada
7 whether within or without the Commonwealth. Second-
8 ly, there has been some difficulty in this regard
9 because there were two ships which were substan-
10 tially modified. They were, I believe, either
11 shortened or lengthened. Considerable work was
12 done on them in a Dutch shipyard and they were
13 brought into the coastal trade of Canada, and
14 the Canadian Government attempted to tax them on
15 the work done in the foreign shipyard. They
16 contended this was not a repair and therefore that
17 it was not subject to duty; that it was something
18 else. We feel that is an oversight or a loop-
19 hole in the law because it is obvious if it
20 applies to an ordinary repair that it should apply
21 to something greater than that, ^{and} which is a modi-
22 fication or alteration to the vessel. So
23 that is the reason why we are making specific
24 mention of this Section 54, and the period is
25 one year. With ordinary repairs which are
26 made annually that may be a reasonable period
27 of time, but, for instance, a major altera-
28 tion -- and we gave the example of a ship which
29 we bought for somewhere around 30 to 50
30



1 thousand dollars, a Corvette, and we spent \$500
2 thousand modifying that ship to make it into a
3 passenger boat, and if you could consider that as
4 a Canadian-built vessel and bring that ship into
5 Canada after one year so that you would not come
6 within the provisions of Section 54, even if they
7 extended it to cover major alterations, you would,
8 in effect, be able to almost build a ship in a
9 foreign yard and then use it in the Canadian
10 coastal trade if the hull of the ship was originally
11 built in Canada or the Commonwealth. So we feel
12 perhaps that for major alterations of that sort
13 the period of one year should be extended to five
14 years, in view of the experience we have had or
15 been able to observe.

16 THE CHAIRMAN: On your recommendation, you
17 could build it in a United Kingdom yard.

18 MR. CLARKE: In a United Kingdom yard, yes.

19 THE CHAIRMAN: You want to rule out the
20 foreign altogether. In effect, your recommendation
21 would seem to be, you must have Canadian regis-
22 tration, you may build in the United Kingdom but
23 you must have Canadian repairs and alterations?

24 MR. CLARKE: That is correct.

25 THE CHAIRMAN: Well, such an altera-
26 tion as you spoke of is, in fact, a construction.
27 What is the difference between permitting that
28 ship to be constructed in the United Kingdom
29 and permitting it to be re-designed or complete-
30 ly altered at a cost of ten times the cost of



1 the hull?

2 MR. CLARKE: Well, I agree, if our sub-
3 missions are accepted by the Commission, that it
4 was perhaps an alteration in a British yard and
5 this section should not be modified to cover that,
6 but I am taking it, for instance, if nothing is
7 done we feel at least that should be done in regard
8 to that provision.

9 THE CHAIRMAN: Well, I want to know if
10 your submission is of an alternative nature, be-
11 cause if it is not I think it is contradictory.

12 MR. CLARKE: In that respect it is an
13 alternative, but in respect of the other phases
14 of it we consider that even though ships could
15 be built in England we believe they should be re-
16 paired here, because we think that some encourage-
17 ment has to be given.

18 THE CHAIRMAN: Some sop should be thrown
19 to the shipbuilding industry.

20 MR. CLARKE: Well, I noted, for instance,
21 the submission of Saint John Dry Dock where they
22 showed that the repairs to naval vessels far
23 exceeded the building.

24 THE CHAIRMAN: I think that is true of
25 both Atlantic Coast yards. They were essential
26 repairs while the construction was done on the
27 St. Lawrence.

28 MR. CLARKE: While we are discussing
29 the question of not restricting the trade to
30 Canadian-built, I might mention the so-called



1 Australian system which I think was discussed at
2 some length before the Commission, and I would
3 like to present certain remarks in that connection.
4 In order to apply that system to Canada, if it
5 is to give protection to Canadian ships, it would
6 be necessary to ensure that British ships operating
7 here are treated in all respects in the same way
8 as Canadian ships, and that means not only equaliza-
9 tion of wages, but of repairs, taxes and working
10 conditions, which working conditions would
11 include accommodation, victualling, numbers of
12 crew, hours of work, and so on. In other words,
13 there are a number of factors that have to be
14 considered in making this equalization. As an
15 ancillary and not as a protective measure, but as
16 a protective measure for the people whose cargoes
17 are going to be offered or passengers who are
18 going to be aboard these ships, it would have to
19 be ensured that the officers are competent to
20 engage in the coasting trade of Canada. I think
21 that is one of the provisions in the Australian
22 Act. There may be some difficulty in applying
23 this. For instance, what is the proper standard
24 of Canadian wages, both straight time and over-
25 time, as all Canadian employees are not neces-
26 sarily at the same scale, so that a decision
27 would have to be made each year, or from time
28 to time, to determine what scale was to be
29 given effect to under these provisions.

30 In order to administer it, we submit



1 that the British ship would have to obtain a
2 coasting licence in order to establish to compet-
3 ent authorities that she has complied with all
4 the provisions laid down for operating in the
5 coastal trade of Canada, and we suggest that in
6 order to obtain a coasting licence the British
7 shipowner should carry out the following require-
8 ments:

9 All members of the crew should be signed
10 on Canadian Articles before a Canadian ship-
11 ping master, which Articles would be in
12 conformity with Canadian conditions.

13 Somebody has to oversee that this is done, and we
14 suggest that is a means of carrying it out.

15 THE CHAIRMAN: Is this a ship that is
16 going to be engaged full-time in the Canadian coas-
17 tal trade?

18 MR. CLARKE: It may be, or it may be just
19 engaged on an occasional voyage.

20 THE CHAIRMAN: How are you going to have
21 a ship's crew signed on under Canadian Articles
22 if the ship is from Liverpool and coming to
23 Quebec or Montreal, and it goes up to Chicago or
24 Detroit or Cleveland, and from Cleveland it
25 comes back to Buffalo and then down through the
26 canals again, and it stops at Halifax, and it
27 lands in Liverpool; how are you going to divide
28 up the contract in a case like that?

29 MR. CLARKE: Well, first of all, if the
30 ship operates in the coasting trade of Canada



1 it has to proceed on a voyage from a Canadian port
2 to a Canadian port.

3 THE CHAIRMAN: Yes, but what are you going
4 to do? Stop the crew's contract when they stop
5 on the other side -- and then they proceed again,
6 and drop it, and then take it up again?

7 MR. CLARKE: We submit that is one of the
8 difficulties of applying this Australian system.

9 THE CHAIRMAN: I certainly agree with that
10 submission.

11 MR. CLARKE: We feel that the technical
12 difficulties of enforcing it are so great that it
13 would be best to take direct action -- whatever
14 the Commission decides is the proper course --
15 take direct action rather than by the indirect
16 action of applying this so-called Australian system.
17 I agree entirely with your thinking, Mr. Chairman,
18 because we have felt that this would be very
19 difficult to administer and apply.

20 Another thing that would have to be done
21 is to give details for clearance to the Customs
22 authorities of repairs, modifications and so on,
23 to make sure that the full amount of duty pay-
24 able under Section 54 was paid. Canadian ship-
25 owners are obliged to give security for costs
26 if they register their ships in Canada and
27 have no other property in Canada. For instance,
28 the type of expense that is envisaged^{is}/if a ship
29 is sunk in the channel and has to be removed
30 by the Government, and they can come after the



1 owner, they want some sort of security for it;
2 or, if a lock is damaged while a ship is going
3 through, they want some sort of security. True,
4 they can arrest the ship, but they may not note
5 the damage until after the ship has left. It is
6 usual for Canadian shipowners to give a bond or
7 put up the money with the Registrar of Shipping,
8 unless they have other property in Canada which
9 will take the place of the bond.

10 Thirdly and lastly we submit that the
11 British shipowner who operates in the coasting
12 trade should be subject to tax in the same way as
13 the Canadian shipowner. In other words, if the
14 Australian system is applied there is no reason
15 why a British shipowner should be exempt from tax
16 in Canada when he is operating in a domestic
17 trade. Even at that the Canadian shipowner
18 would be at some disadvantage; for instance, if
19 in the wintertime his ship is employed outside,
20 he would be competing, or he might be competing,
21 with the British operator who is competing
22 against him in the summer, and the British opera-
23 tor would have the lower costs during the off-
24 season of navigation which would give him an
25 advantage. In other words, if the Canadian
26 operator were breaking even, the British opera-
27 tor may be making a little money and that might
28 help him to compete during the summer months.
29 British ships could come in on occasional voy-
30 ages, and I think we have dealt with that --



1 distress cargo. He could come in only for the
2 time he wanted and go out, whereas the Canadian
3 shipowner, even if he did the same thing, would
4 have to continue to pay Canadian wages for the
5 rest of the year. He may not be legally obliged
6 to, but he certainly would be obliged to under
7 his contract and probably his union contract.

8 The last thing, and what to us is a very
9 important question, is that it has been suggested
10 that the restriction of the coastal trade to
11 Canadian ships be limited to carriage of passen-
12 gers and goods within certain regions of Canada.
13 We don't know what regions are in mind, and I
14 don't know whether this has been too strongly
15 submitted before the Commission, but we feel
16 that the laws of Canada should be applied uni-
17 formly throughout Canada and to Canadians general-
18 ly. Our operations are throughout the Gulf of
19 St. Lawrence, from Montreal to the eastern por-
20 tion of Canada, you might say. It would be a
21 very great hardship to us if our operations were
22 divided. In other words, if part had to be
23 under Canadian flag and the other was open to
24 any competition. For instance, a ship pro-
25 ceeding from Montreal to Newfoundland, if the
26 dividing line was Farther Point, or somewhere
27 around there, a ship going from Montreal to
28 Newfoundland would not be subject to restriction.
29 So, a British ship would be operated; that ship
30 could not stop at some points along the North



1 Shore, perhaps to drop off a cargo, because that
2 very portion of the coastal trade would be res-
3 tricted to Canadian-registered ships. Another
4 difficulty would be that if temporarily, or even
5 permanently, we wanted to shift one ship from one
6 trade to another due to changing conditions,
7 or if a ship had a breakdown, or there was a
8 large amount of freight offering to one place,
9 and to another place there was a diminution,
10 the ship would have to be transferred from one
11 registry to another, perhaps, to comply. More-
12 over, we have ships that operate from Montreal
13 all the way down to Blanc Sablon. If the area
14 was divided up it could operate as a British ship
15 only once it had gone beyond a certain point,
16 and if we had cargo for that point, or some
17 point near, we would have to go to some further
18 place and ignore those nearer points.

19 We feel the making of a dividing line
20 would make our operations extremely onerous,
21 and we submit there should be a uniform policy
22 applicable to all of Canada.

23
24 (Page 5560 follows)
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1 THE CHAIRMAN: That is the only reason you
2 submit it because it would make your operations
3 onerous, it is not because you have a very com-
4 mendable desire to see laws operate equally
5 throughout Canada because I suggest to you there
6 is one which operates as to the package trade in
7 the Great Lakes that you are not subject to.

8 MR. CLARKE: We are not subject to at the
9 present time.

10 THE CHAIRMAN: You do not desire to be
11 subject to it, do you?

12 MR. CLARKE: We have not opposed being
13 subject to it, that is the Transport Act, we have
14 made no opposition to being subject to the Transport
15 Act providing everyone else is.

16 THE CHAIRMAN: You are agreeable to be
17 licensed? What do you mean "everyone else"?

18 MR. CLARKE: By that I mean, if all ships
19 we operate are subject, we feel that all ships
20 engaged in the same trade should be subject
21 whether they be large or small because otherwise
22 we would be, not so much in the Newfoundland
23 trade, but on the North Shore of the St. Lawrence
24 we would be subject to competition from the
25 small schooners and if they were not subject
26 to the Transport Act as well as ourselves you
27 would have a regulated body competing with an
28 unregulated body and it is always to the dis-
29 advantage of the regulated body.
30



1 THE CHAIRMAN: Do you believe it would be
2 sufficient to have these small schooners regulated
3 by the Transport Act?

4 MR. CLARKE: Well, a lot of freight they
5 carry is in effect bulk cargo, pulpwood and so on
6 and under the Transport Act it is excluded but if
7 the same exemption applied, we think it would be
8 feasible to subject them to rates and so on set
9 forth by the Board of Transport in carrying package
10 freight. In fact, Mr. Chairman, I have been
11 authorized to say that we would prefer that no
12 change be effected in the coastal laws of Canada
13 if they are not to be effective throughout Canada
14 or, at least, throughout the Great Lakes, the
15 St. Lawrence and eastern seaboard. That is our
16 submission. I want to make it perfectly clear to
17 the Commission that is how we feel about applying
18 any restrictions that might be applied. That is
19 the whole of our submission, Mr. Chairman.

20 COMMISSIONER WICKWIRE: Have you anything
21 to say, Mr. Clarke, on the subject of national
22 defence, namely, with regard to shipyards, do
23 you think that the suggested policy as set forth
24 by you is sufficient to keep Canadian shipyards
25 in a state of readiness to meet an emergency?

26 MR. CLARKE: Mr. Commissioner, I am not
27 competent to discuss what is the answer to
28 keeping a shipyard in a state of readiness.
29 I do not know how much work they have to get
30



1 to maintain a minimum of activity or how much
2 work they are now getting so I cannot comment on
3 it.

4 COMMISSIONER WICKWIRE: You prefer not to
5 deal with it?

6 MR. CLARKE: I would prefer not to deal
7 with it in so far as it concerns shipyards. We
8 would prefer to have ships both registered and
9 built in Canada rather than have no change in the
10 law at all, I think we made that clear when we
11 appeared before the Commission in Montreal but if
12 it is possible we prefer not to be restricted to
13 Canadian built ships for the reasons I have men-
14 tioned. If there are other considerations that
15 bring themselves to bear on the general policy
16 well, of course, that will have a bearing on your
17 decision but in so far as we are concerned, that
18 is the position we take.

19 THE CHAIRMAN: Thank you, Mr. Clarke. We
20 will recess now for 10 minutes.

21
22 --- A short intermission.

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25 THE CHAIRMAN: The Government of Manitoba,
26 Mr. Shepard.



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ARGUMENT OF THE GOVERNMENT OF
MANITOBA

---Mr. C.D. Shepard, appearing.

MR. SHEPARD: Mr. Chairman, and members of the Commission, you will I think probably recall that at the hearing in Winnipeg on August 24, which now seems a very long time ago, Premier Campbell welcomed the Commission to Winnipeg and in doing so said this, and I am quoting:

"I think there is no province of
"Canada which is more interested in freight
"rates and carrying charges generally than
"the Province of Manitoba; so our interest
"has been continued through the years in
"trying to present to various boards and
"commissions the position of this province
"which frequently has to pay the carrying
"charges on a great volume of export and
"import commodities."

And now, we in Manitoba make no apology to your Commission for appearing and expressing what we conceive to be our legitimate self-interest any more than those acting for other parties need apologize for attending to the legitimate self-interest of their clients.

It has been the traditional concern of Manitoba, as well as that of our sister provinces



1 to the west and our more remote sister provinces
2 in the Maritimes to ensure that we do not pay
3 more than our fair share of transportation charges
4 and do not pay more than is essential to maintain
5 efficient service. We, of necessity, not from
6 choice, accept the long haul disadvantage imposed
7 on us by geography, but we also claim that we
8 are entitled to benefit from any geographic ad-
9 vantage we may possess, one of the few being our
10 relative proximity to the Great Lakes.

11 We are a Maritime province but only by the
12 grace of the port of Churchill and the Hudson's
13 Bay railway and we hope in the generations to come
14 our Maritime advantages are of more benefit to us
15 than they have been in the past. We, of course,
16 recognize that the coasting laws in the foresee-
17 able future will have a greater impact on the
18 Great Lakes trade than on Hudson's Bay trade;
19 we nevertheless venture to suggest that in the
20 very long run, the possibility of coastal trade
21 between Churchill and the eastern seaboard should
22 not be ruled out or overlooked.

23 Our chief concern is, however, as the
24 Commission knows, the coasting trade into and
25 out of the Great Lakes. Manitoba's detailed views
26 may be found in Volume II, brief No. B-77,
27 Volume V, commencing at page 1761. In addition,
28 since the hearing in Winnipeg Exhibits 187 and
29 198 have been filed and I will be commenting
30



1 on those during the course of my argument. Exhibit
2 No. 187, for the record, is found in Appendix III
3 at page 980 and Exhibit 198 is to be found in
4 Volume 16 at page 4957.

5 Now, Mr. Chairman, what are the issues before
6 this Royal Commission? A recent publication by
7 the St. Lawrence seaway authority, including maps
8 and description of the works contemplated, estimates
9 the cost of Canadian works at \$200 million. To
10 whatever extent this expenditure is not self-
11 liquidating, it represents a cost to the nation as
12 a whole. Even if this vast project should, in
13 the course of time, prove to be entirely self-
14 liquidating, it is difficult to believe that anyone
15 could seriously suggest that it is being built for
16 other than the broad national benefit. It is
17 suggested with respect that if the completion
18 of the seaway is followed by restrictive legislation
19 negating its national benefits, measured in terms
20 of lowered transportation costs, it would be a
21 deplorable result.

22 And now, pursuing further the answer to
23 the question "What are the issues?", we find
24 that quite properly the Canadian shipbuilders,
25 operators and repairers are before the Commission
26 to express concern that because of the relatively
27 higher construction and wage costs in Canada
28 they may be unable to compete with U.K. ships
29 in the Great Lakes. It thus becomes necessary
30



1 to assess the importance of the claims of the
2 Canadian builders, repairers and operators.

3 The Commission at this stage of hearings
4 need hardly be reminded that we are not concerned
5 at this time with restrictions on international
6 trade, including that between Canada and the
7 United States, except to the extent suggested by
8 the Dominion Marine Association. The Commission
9 is reminded that employment in the inland division
10 of Canada's coasting trade, which means primarily
11 the Great Lakes, is about 6,500 at the present
12 time. Of that number about 3,800 constitute
13 crews of existing lake vessels. Of that 3,800
14 crew personnel an important minority consists of
15 crews of passenger and package freight vessels,
16 the operation of which is protected by the licensing
17 and public convenience and necessity provisions
18 of Part II of the Transport Act. Thus, at most,
19 the Commission is hearing from many representatives
20 of a relatively small industry employing only a
21 few thousand persons, very many of whose jobs
22 will not be in any way threatened by the enlarged
23 seaway to cancel the broad potential benefits
24 resulting from the removal of the natural
25 barriers to trade in the Great Lakes by imposing
26 artificial legislative barriers, merely in order
27 to protect a small special group within the
28 ^{which} economy/would, as was stated in Manitoba's
29 evidence in Winnipeg, in our view be the height
30



1 of economic and fiscal folly.

2 Add to these few brief comments, Mr.
3 Chairman and Commissioners, the necessity of
4 maintaining an adequate defence nucleus and the
5 necessity of maintaining an adequate reliable
6 supply of bottoms and we have defined the issues.

7 It is not my purpose to review the evidence
8 already on the record in support of Manitoba's
9 basic position, that position as the Commission
10 knows, is one of firm opposition to the imposition
11 of any further legislative restrictions on the
12 coasting trade of Canada on the ground that such
13 restrictive legislation can serve only to nullify
14 the benefits in the form of reduced costs, flowing
15 from the enlargement of the St. Lawrence seaway.
16 Manitoba, in short, supports the status quo in
17 shipping policy.

18 And now, Mr. Chairman, I have something to
19 say about the ship operators and also something
20 to say about the ship builders and repairers.
21 In so far as the ship operators in the Great Lakes
22 are concerned, it is submitted that certain
23 conclusions may be drawn from the evidence now
24 before the Commission and I have six to mention:
25

26 1. The seaway will reduce the cost of
27 moving goods.

28 2. Unless these lower costs are passed
29 on in the form of lower rates, one small sector
30 of Canadian industry will reap all the benefits



1 of the new seaway at the expense of the entire
2 economy.

3 3. The only factor that can be relied upon
4 to ensure that cost reduction will lead to rate
5 reduction by the few Canadian shipping operators
6 in the Great Lakes is the potential presence of
7 competition from non-Canadian operators.

8 4. If Canadian ship operators do pass on
9 potential savings to shippers, these ship operators
10 need not fear any loss of volume to non-Canadian
11 operators. In fact, economic growth consequent
12 on lower transportation rates should give them a
13 much greater volume of business after 1959 than
14 they have enjoyed before that time.

15 5. If Canadian ship operators fail to pass
16 on lower costs in the form of lower rates, then
17 they will lose out to non-Canadian competition.
18 In this case we feel they deserve to lose the
19 business. The removal of potential competition
20 by legislation that will simply provide Canadian
21 ship operators with a protected market in which
22 there is nothing that will ensure the reduction
23 of rates to the lower levels made possible by
24 the new seaway.

25 6. The argument that without protection
26 against British competition the Canadian ship
27 operators will be eliminated or adversely
28 effected in a serious way certainly cannot be
29 justified by cost comparisons about which I
30



1 will say more; by the valuation being placed upon
2 shipping company shares by the investor or by the
3 generous increases in dividend policy by the
4 Canada Steamship Lines.

5 Now, as to the valuation on shares and the
6 dividend policy, I would like to take a moment to
7 refer to Exhibit 198 which is found in Volume 16
8 which is a record of the December 19 hearing. Now,
9 Mr. Chairman, that is a self-explanatory exhibit
10 that was prepared and filed on behalf of the
11 Government of Manitoba. It is headed "Canada
12 Steamship Lines, Limited", it includes five columns,
13 the first column simply shows the dates covering
14 a period of 15 years from 1940 to 1955; the second
15 column shows the net earnings before interest,
16 depreciation and reserve for taxes; the next
17 column shows net income; the third and fourth
18 columns are the price range of stock and the last
19 column is dividends - common. I appreciate this
20 is a consolidated statement, that Canada Steam-
21 ship Lines has other than shipping interests,
22 but I have no means of separating which of
23 their enterprises earned a net income. The
24 exhibit does show that between 1940 and 1954
25 the net income increased from slightly under
26 \$1 million to almost \$2-3/4 million which was
27 almost as high as the 1953 net income.

28 The exhibit in addition shows that the
29 low of the stock was \$2 in 1940 and I appreciate
30



1 that would be so because the dividend policy only
2 started after that year but it has gone from \$2
3 to 1954 when there was a four for one stock split,
4 the high in 1954 before the split was \$100, the
5 low was \$88. After the split in 1954 the high was
6 \$28-3/4 the low was \$22. Multiplying those by four
7 to get back to a comparable basis before the split
8 on the old stock, the high was \$115 and the low
9 was \$88. In '55 the high was \$41 on the new stock
10 and \$20 was the low on the new stock up to October,
11 1955. The current price of the stock, I believe,
12 is about \$35 which is equivalent to \$140 on the
13 old stock and the 1955 high on the basis of the
14 old stock would be \$164; the dividend policy has
15 been consistent from 1946 until 1954, they paid
16 \$1 a share. Even after the split in 1954 they only
17 paid the equivalent of \$1 a share on the old stock
18 but in 1955 they paid \$1 a share on the new stock
19 at the equivalent of \$4 a share on the old stock.
20 I do not think it is necessary to elaborate the
21 significance of the figures, Mr. Chairman, I do
22 not think that investors could be that wrong on
23 the future of an industry. I think that it is
24 normally accepted that stock prices, highs and
25 lows and dividends paid on a soundly operated
26 company do reflect a cost discounting the operating
27 costs of the company.
28

29 THE CHAIRMAN: Reflect what? I am sorry,
30 I did not hear you.



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MR. SHEPARD: Do reflect a value discounting the future operating of the company. My point is, if Canada Steamship Lines is going to suffer as they allege they will under the present law the stock would not be trading as it is today.

THE CHAIRMAN: You mean a lot of people do not believe that?

MR. SHEPARD: That is right. That is all I can say, a lot of people do not believe it.

THE CHAIRMAN: They may be wrong.

MR. SHEPARD: A lot of people could be wrong. And now, as to cost comparisons, that is, between Canadian upper Lakers and U.K. vessels. It is necessary, I think, to comment both on Exhibit 187 which was filed according to the record, by the Manitoba Transportation Commission which is an error I would like to correct, it was filed by Dr. Ezra Soloman, Assistant Professor of Finance, University of Chicago Graduate School of Business who gave evidence in Winnipeg with Dr. Mayer, as the Commission will recall, on August 24th. Then, I think it is necessary for me also to comment, not only on the exhibit, but on the evidence of Mr. Lowery which is found in Volume 16 of the December 19th hearing here and I understand that Mr. Lowery is an equally well qualified witness and it is with regret that I have to make any comment of either Dr. Soloman's exhibit or Mr. Lowery's evidence.



1 Mr. Lowery's evidence on this subject begins at
2 page 5013 and he is very definite in his criticism
3 and I am not saying that critically, he is quite
4 entitled to be. It is perhaps the nature of the
5 beast that makes it impossible to prove mathem-
6 atically that either Dr. Doloman or Mr. Lowery
7 are right or wrong.

8 For instance, Mr. Lowery says that the U.K.
9 vessel used in Exhibit 187 could carry 310,000
10 bushels whereas Dr. Soloman's computation is based
11 on 250,000 bushels. Perhaps it would be possible
12 to load 310,000 bushels in the U.K. vessel if it
13 were loaded to more than a 24-foot draught. I am
14 also instructed that it would be equally possible
15 to load 850,000 bushels into the Canadian upper
16 laker in which Dr. Soloman in Exhibit 187 has
17 figured only 700,000 bushels. In that event the
18 Canadian upper laker would be loaded to deeper
19 than a 24-foot draught.
20

21 THE CHAIRMAN: What is a 24-foot draught,
22 what is the significance of that?

23 MR. SHEPARD: The basis of Dr. Soloman's
24 exhibit was to take the Canadian upper laker
25 which is loaded to not more than a 24-foot
26 draught with 700,000 bushels and he applied to
27 the U.K. ship which he used for comparison the
28 load it would take to reach the same draught.

29 THE CHAIRMAN: Oh yes, but I ask again,
30 what is the significance of the 24-foot draught?



1 MR. SHEPARD: At the present time the
2 significance is that the channel, as I understand
3 it --

4 THE CHAIRMAN: Surely there is no sense in
5 considering the channel at the present time or
6 else we should limit it to the 14 feet down the
7 St. Lawrence.

8 MR. SHEPARD: Well then, my point is if we
9 have a 24-foot draught for the U.K. ship, the only
10 fair comparison is to take the Canadian upper
11 laker loaded to the same draught.

12 THE CHAIRMAN: I quite agree with that, but
13 I would like to know what that true comparison was.
14 Now, that was not any off-hand statement of Mr.
15 Lowery, it was a statement worked out in two
16 different fashions and both of them arrived at
17 something a little better than 310,000.

18 MR. SHEPARD: That is right and he did it
19 on the basis of loading the ship to a deeper
20 draught.

21 THE CHAIRMAN: But to the draught which
22 would be possible on the seaway channel.

23 MR. SHEPARD: Granted but also the 700,000
24 upper laker could be loaded to a deeper draught.

25 THE CHAIRMAN: What is this 700,000 upper
26 laker, where is it described?

27 MR. SHEPARD: In the exhibit.

28 THE CHAIRMAN: Yes?

29 MR. SHEPARD: I have a copy of 187.
30



1 THE CHAIRMAN: I am looking at the copy in
2 the evidence.

3 MR. SHEPARD: On the second page of the
4 exhibit he refers to the upper laker, 11 operating
5 days to move 700,000 bushels from the lakehead
6 to Prescott.

7 THE CHAIRMAN: Yes, but I want to know what
8 ship it is, how wide, how long and how deep to see
9 if it is a 700,000-bushel ship or larger or smaller.

10 MR. SHEPARD: He has in his explanatory note
11 referred to the Scott Misener, it is on the second
12 last page, he is referring to the loading at times
13 and he says this:

14
15 "This estimate has been checked against
16 "a sampling of the records of the Board of
17 "Grain Commissioners which show that the
18 "'Scott Misener' made six consecutive round
19 "trips with grain from lakehead to Prescott
20 "within 67 days."

21
22 My understanding is that he used the actual
23 figures of the Scott Misener.

24 THE CHAIRMAN: Except that he does not say
25 so and I suggest to you that there is some con-
26 siderable doubt as to whether he could have done
27 so because the Scott Misener, due to the fact that
28 the 24-foot draught has never once gone down
29 loaded and cannot until the channels are deepened.

30 MR. SHEPARD: That is correct, sir, as I



1 understand it but I do understand also that they
2 have --

3 THE CHAIRMAN: And its full load is 725,000,
4 as I understand it, so it is probably not carrying
5 that now.

6 MR. SHEPARD: I think it has carried that
7 but it cannot carry its full draught until --

8 THE CHAIRMAN: As you say, the vessel taken
9 as your upper laker by Dr. Soloman is the Scott
10 Misener, if you say that we will know about its
11 capacity.

12 MR. SHEPARD: I was going to make a sug-
13 gestion that when I finish dealing with both 187
14 and 200 and 201 for the consideration of the
15 Commission I feel that we are not engaged in a
16 lawsuit in the usual sense and I know the answer
17 to this question is important to the Commission
18 and I am assuming that Mr. Lowery and Dr. Soloman
19 are both people who want to give the correct
20 answer to the Commission and I know that as far
21 as Dr. Soloman or Dr. Mayer are concerned, they
22 would be happy to attend a meeting with Mr. Kemp
23 or any members of the Commission at which Mr.
24 Lowery could be present to discuss the matter
25 to have them submit some answer to the Commission.
26 I am simply offering that to the Commission.

27 THE CHAIRMAN: Thank you, that will have
28 to be determined.

29 MR. SHEPARD: I am instructed that the
30



1 700,000-bushel vessel that is used in Exhibit 187,
2 I am instructed it is capable of carrying as much
3 as 850,000 bushels.

4 THE CHAIRMAN: I think that would be news to
5 the owner, Mr. Shepard.

6 MR. SHEPARD: Well, I am not in a position --

7 THE CHAIRMAN: He has never made any such
8 claim, even in his most boastful mood as to his
9 ship he has made no such claim.

10 MR. SHEPARD: I have never discussed the
11 matter with the owner, Mr. Chairman, those are my
12 instructions and all I can do is place that on the
13 record before the Commission. If this were done
14 it is self-evident that the bushel cost of moving
15 upper lake loads would be reduced accordingly
16 because there would be more units to move. Now,
17 as far as Dr. Soloman's U.K. construction costs
18 are concerned, he tells me that they were the
19 only recent fixed contract prices which were avail-
20 able to him, he is not suggesting those figures
21 are exactly right and I think it is a very diffi-
22 cult matter. I understand that in the United
23 States one of the difficulties they had in
24 determining what subsidy the shipbuilder should
25 receive is to determine what their construction
26 costs are to be and there is apparently no right
27 or wrong method of determining the exact figure
28 but I can assure the Commission that there was
29 no intention of misleading the Commission as
30



1 far as Dr. Soloman was concerned and I regret
2 that Mr. Lowery found it necessary to imply
3 that in his evidence.
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(page 5585 follows)



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MR. SHEPARD: Now, I am instructed, Mr.

1 Chairman, that in order to make a comparison
2 coast-wise per bushel of a movement from the Head
3 of the Lakes to Montreal in an Upper Laker versus
4 a U.K. ship, you must, to make a fair comparison
5 on cost, take the same draught load for both
6 vessels.

7 Now, it is quite true that the average
8 U.K. ocean-going vessel is perhaps a $25\frac{1}{2}$ foot
9 draught when loaded, but if you are going to take
10 that load down to that level, the only fair
11 comparison is to take a similar load on the
12 Canadian Upper Laker. I would like to refer
13 briefly to Exhibit 200, which has already been
14 discussed in detail, but the Commission will
15 notice that the fourth column at the top left
16 hand chart in that exhibit is entitled "Bushel
17 capacity at 25 feet 6 inches or less" -- "or less".

18 Now, in looking at the six sheets which
19 make up Exhibit 201 I notice that on sheet No.
20 1, which is comparative vessels "A" and "B" -- I
21 am no expert on ships, Mr. Chairman, so I hope
22 I am reading this properly, but it states 623,000
23 bushels self-trim, hold space for wheat at 22
24 feet 9 inches draught, and that is the Thunder
25 Bay class and that is the "A" Upper Laker re-
26 ferred to in Exhibit 200. It also states,
27 the same sheet 1 of Exhibit 201, that cargo dead-
28 weight, I think, is 18,000 tons at 23 feet 9-1/8
29 inches.

30



1 Both of these figures -- I am not competent
2 to say which I should use, but both are substan-
3 tially less than 25 feet 6 inches.

4 Then if we look at sheets 2, 3, 4 and 5
5 they all show a draught of 25 feet 6 inches when
6 loaded, with the bushelage shown in Exhibit 200.
7 Now, if the Upper Laker -- I am thinking in terms
8 now of the future -- the Upper Laker of the future
9 is built to be loaded to the full draught of the
10 deeper channel, it stands to reason that the ship
11 of tomorrow of the Thunder Bay class will be able
12 to carry more grain than is shown here. I do
13 not see any harm in suggesting that to the Commis-
14 sion because, as I understand it, these vessels
15 "C" "D" "E" "F" are not -- they cannot now engage
16 in this Great Lakes trade.

17 The point I wanted to stress to the Commis-
18 sion was simply the fact that unless similar
19 loaded draughts are taken, my understanding is
20 that the comparison is not a valid one.

21 THE CHAIRMAN: What you say is that these
22 Exhibits 200 and 201 compare one existing vessel
23 with four imagined ones, and they should have
24 compared five imaginary vessels?

25 MR. SHEPARD: Yes, sir. I say further,
26 it is not comparing like with like, and that
27 unless they compare vessels of the same draught,
28 loaded, whether it is 24 feet, 25 feet 6 inches
29 or 27 feet, they are not getting a true compari-
30 son.



1 Now, this is ---

2 THE CHAIRMAN: I point out to you that
3 other things than draught vary. For instance,
4 sheet No. 2 as to "C" has a beam of only 42 feet,
5 while sheet No. 1 as to vessels "A" and "B" has
6 a beam of 67 feet. On the other hand, "D" has a
7 beam of $68\frac{1}{2}$ feet. "E" has a beam of 73 feet.
8 Surely the beam has a great deal to do with the
9 load of the vessel.

10 MR. SHEPARD: Yes, it would, but as long
11 as the beam is sufficiently narrow to go through
12 the channels ---

13 THE CHAIRMAN: It does in this case.

14 MR. SHEPARD: I offer no objection to a
15 comparison of different beams.

16 THE CHAIRMAN: I point out to you if you
17 are going to talk about maximum capacity, whether
18 you offer an objection to it or not, it doesn't
19 vary it. As I pointed out during the hearings,
20 the vessels "E" "F" and "G" all are of 73 foot
21 beam, which means you just have about 3 feet on
22 each side of your vessel as it goes through the
23 locks.

24 MR. SHEPARD: I certainly would not be
25 competent to disagree with any submission as to
26 what should be the proper basis of comparison,
27 but I do know on my instructions that if they
28 are different draughts they are not comparable,
29 and I think that is a very serious defect in
30 Exhibit 200, because they are not the same



1 draughts that they are comparing, and a difference
2 in draught of the large Upper Laker would make a
3 tremendous difference in the carrying capacity
4 if it could be designed for a deeper draught.

5 It was really for this reason, Mr. Chairman,
6 that I wanted quite seriously to make the sugges-
7 tion, in trying to assist the Commission, of having
8 our expert witnesses sit down with any other
9 members of the Commission or Mr. Kemp, the Econ-
10 omic Adviser, and with any other witnesses that
11 might appeal to the Commission, because I appre-
12 ciate that this is an important matter. It is
13 upon this matter which rests the answer to the
14 question, "Will the Canadian Upper Laker be able
15 to compete with the U.K. vessel", and it is a
16 very vital question.

17 I am, unfortunately perhaps, not a naval
18 architect or a Merchant Navy man, nor do I have
19 any other special qualifications. I cannot,
20 I do not think, assist the Commission any fur-
21 ther than I have.

22 THE CHAIRMAN: I should point out to you,
23 Mr. Shepard, that these figures were submitted
24 by the Canada Steamship Lines on the 19th and
25 20th of this month ---

26 COMMISSIONER WICKWIRE: Last month.

27 THE CHAIRMAN: On the 19th and 20th
28 of December, and there was an opportunity at the
29 beginning of these hearings to produce rebuttal
30 evidence. Others saw fit to do so and the



1 Province of Manitoba did not, but we are hearing
2 argument on the basis of, "I am instructed on this"
3 and "I am instructed on that". In other words,
4 you purport to give evidence.

5 MR. SHEPARD: Well, sir, I appreciate
6 that that is perhaps a valid criticism. I do
7 feel that the main point with me certainly in any
8 event is not a question of evidence from me or
9 from anybody else. It is a question of examining
10 the material which is found in Exhibit 200 and
11 Exhibit 201, and I submit that that is a matter
12 for argument. That is what I have endeavoured
13 to do.

14 THE CHAIRMAN: We are hearing your argu-
15 ment and part of the argument is that these boats
16 are not like, and that they should be compared
17 with like boats. I find, little as I know of
18 naval architecture, that the draught, beam and
19 length of a ship must all be very, very closely
20 related and put into a distinct formula.

21 MR. SHEPARD: Yes, sir.

22 THE CHAIRMAN: "B" is just a copy of "A"
23 but built in England, but "C" "D" "E" "F" were
24 designed by naval architects and they drew ships
25 that would fit and that could be built and may
26 be built to operate efficiently. I suggest
27 to you that they therefore had to take a draught
28 to fit their beam and length as much as a beam
29 to fit their length and draught.

30 MR. SHEPARD: I would not quarrel with



1 what they did in that Laker, sir, as long as they
2 had a similar design for the Upper Laker with a
3 similar draught.

4 THE CHAIRMAN: It could not be a similar
5 design of ship. It was not the same ship or for
6 the same purpose because the Upper Laker is not
7 supposed to go down past Montreal or Quebec, and
8 the other ships that were drawn were supposed to
9 go down. Therefore, they would have to have a
10 different design of ship.

11 MR. SHEPARD: To return to my original
12 point, it is based entirely not on instructions
13 I have received, but is entirely on examination
14 of Exhibits 200 and 201. It is simply based on
15 Exhibit 201, which indicates a draught of 22 or
16 23 feet of an Upper Laker ship.

17 THE CHAIRMAN: Which was an existing ship.

18 MR. SHEPARD: Yes, sir.

19 THE CHAIRMAN: Not of the largest size.

20 MR. SHEPARD: That is correct, sir.

21 Then they have proceeded to compare that draught
22 with hypothetical ships of a deeper draught.

23 My point is, that if they were going
24 to make a comparison, to make it valid they
25 should do it by having the same draught for the
26 kind of ships they were comparing.

27 COMMISSIONER BELANGER: But on the "A"
28 ship you could not have a higher load because
29 they could not load more than 600,000 bushels.

30 MR. SHEPARD: It would have to be



1 another ship, Commissioner Belanger.

2 COMMISSIONER BELANGER: It would have to be
3 another ship. If you look at Exhibit No. 222,
4 I think that would come closer to what you are
5 looking for. That is the T.R. McLagan.

6 THE CHAIRMAN: Produced by Canada Steamship
7 Lines.

8 COMMISSIONER BELANGER: And therefore it
9 could be more in line with this.

10 MR. SHEPARD: I do not wish to labour
11 the point unless the Commission wishes to ask fur-
12 ther questions about it. I think I can make my
13 point even on the assumption that Dr. Solomon
14 is entirely wrong and Mr. Lowery is entirely right,
15 which is not admitted but denied.

16 The Manitoba Government is content, Mr.
17 Chairman, to leave the record as it stands, if
18 that is the wish of the Commission, and is confi-
19 dent that the Commission and its staff will ade-
20 quately test all evidence, whether given by Dr.
21 Solomon, Mr. Lowery, or anyone else.

22 Now, the conclusion reached by Mr. Lowery
23 after detailed discussion, or, I may say di-
24 section of Exhibit 187, is in these words. I
25 am reading from the top of page 5026, which is
26 Volume 16 of the December 19th hearing.

27 Mr. Lowery says this:

28 "If we assume that ships stop at
29 "Montreal, we would have 8.09¢ per
30 "bushel including the Montreal elevation



1 "and handling charges for the ocean vessel
2 "against the Upper Laker's 8.21¢ per
3 "bushel", so his conclusion is that the
4 U.K. ship would operate more cheaply by that differ-
5 ence between 8.09¢ and 8.21¢.

6 Then if we keep that in mind and proceed
7 to the transcript of January 4th when my learned
8 friend, Mr. Gerity, was giving evidence, we find --
9 I think he actually was giving evidence at that
10 time.

11 THE CHAIRMAN: I agree with that, but it
12 was rebuttal, and surely it must be obvious from
13 the time of the first witness that we came to the
14 conclusion there was so much opinion evidence with
15 fact that we could not swear witnesses; therefore,
16 your comment Mr. Gerity was giving evidence was,
17 I think, rather proper.

18 MR. SHEPARD: I think it is certainly to
19 the same extent I have been endeavouring to do
20 so at this hearing this morning.

21 Mr. Chairman, on page 5128 of the trans-
22 cript, which is Volume 17, Part A, Mr. Gerity
23 gives evidence, as I said, and he is talking,
24 as I understand it, for Dominion Marine Associa-
25 tion, and this is his comment which he made,
26 having examined Exhibit 200 put in by Canada
27 Steamship Lines. He says: "We compared all
28 our cost figures with those put forward by
29 Canada Steamships, and the grain figure varies
30 by .6¢".



1 And then a little further down the page he
2 says -- Commissioner Belanger said to him: "Do
3 you mean the support the statement made by Mr.
4 Lowery?", and Mr. Gerity says: "We do, although
5 it is for a different length of year and so on".
6 Then he goes on to say:

7 "I have gone over all the figures and you
8 "will find there is a difference in capital
9 "cost and bushel capacity of our ships
10 "which is higher than that used by Mr.
11 "Lowery, but all in all works out at .6¢
12 "for the actual carriage of grain from the
13 "Head of the Lakes to Kingston. That comes
14 "out to exactly .6¢ higher than the actual
15 "experience of these four ships, the names
16 "of which have been given to the Commission".

17 Then there is some further discussion over
18 on the next page which confirms Mr. Gerity's
19 statement that the four ships that his Association
20 tested with the C.S.L. figures for grain move-
21 ment operated at an actual cost of .6¢ less than
22 the C.S.L. figures.

23 Now, I assume that if these four ships,
24 Mr. Chairman, enjoyed costs .6¢ per bushel less
25 than the C.S.L. experience from Lakehead to
26 Kingston, which was the comparison at that time,
27 that they would maintain this same lower cost
28 to Montreal after the completion of the Seaway.

29 Thus, if we take Mr. Lowery's costs to
30 Montreal from Lakehead of 8.21¢, which was his



1 Canadian Upper Laker cost, and deduct from it Mr.
2 Gerity's reduced cost of .6¢, we find a figure of
3 7.61¢ per bushel for a 700,000 bushel Canadian
4 Upper Laker loaded to 24 foot draught from the
5 Lakehead to Montreal. This is .48 per bushel
6 less than Mr. Lowery's computed cost of 8.09¢ for
7 a U.K. vessel loaded to 25 feet 6 inch draught
8 from the Lakehead to Montreal.

9 Thus even if Mr. Lowery's figures are ac-
10 cepted as correct and Dr. Solomon's are rejected,
11 as I mentioned before, it is submitted that this
12 integration of the evidence of Messrs. Lowery
13 and Gerity proves the point we are seeking to
14 establish, namely that Canadian Upper Lakers will
15 be able to compete with U.K. vessels.

16 Mr. Lowery also referred at page 5026 --
17 I do not need to take too much time to comment
18 on it -- to the cost advantage of 1.85¢ in
19 addition if the U.K. vessel did not stop at
20 Montreal and went directly overseas. I do not
21 consider that that is a too relevant comparison
22 because of the fact that, as far as I am aware,
23 no one is suggesting any type of legislation
24 to control international movements of that
25 kind.

26 That is all I have to say, Mr. Chairman
27 and Commissioners, concerning the ship operator
28 portion of our submission.

29 I would like now to comment on the ship
30 construction aspect of it. It is the submission



1 of the Manitoba Government that the threat to ship
2 construction activity from overseas' competition
3 on Great Lakes yards is being exaggerated. This
4 submission is based on a number of conclusions
5 which may be drawn from the evidence before your
6 Commission. Again, I have six.

7 The first, a large part of shipyard activity
8 such as small craft construction, naval construc-
9 tion and ship repair activity, has been and will
10 continue to be a local monopoly to a greater or
11 lesser degree.

12 Secondly, a large part of specialized Laker
13 construction will also remain in the Lakes because
14 technical advantages will remain on the side of
15 Canadian firms. These advantages in summary
16 form might be at least three in number. First
17 of all, the ocean barrier that big Laker-type
18 vessels built abroad must cross. The Commission
19 has had a lot of evidence on that point. Secondly,
20 the technical know-how with regard to the big
21 Laker-type vessels which, I admit, could be lost
22 to Canada in the course of time but is here now.
23 Thirdly, the fact that the principal buyers
24 of newly-constructed vessels are Canadian firms
25 and, to a large extent, the same Canadian firms
26 that own the major shipyards.

27 The next point is this, that if, inspite
28 of these advantages, British yards do make
29 inroads into the Great Lakes' construction in-
30 dustry, sound economics dictate that human



1 and capital resources displayed by these inroads
2 are more effectively employed elsewhere in Canadian
3 industry.

4 Fourth, if employment in Great Lakes yards
5 falls below the minimum required for potential
6 defence purposes, as defined by the Maritime Com-
7 mission, the cost of maintaining minimum employment
8 is properly borne in the general defence budget,
9 openly and explicitly and not hidden away in
10 higher transportation rates in which form the
11 costs will be neither known, measurable nor con-
12 trolled nor adequate.

13 Fifthly, normal fluctuations in shipyard
14 employment, which occur in all heavy capital goods
15 industries, whether protected or not, should not
16 be confused with changes in shipyard employment
17 due only to non-Canadian competition. I think
18 the Commission has before it evidence of the
19 shipyards' activity right through a long period
20 of years, and it is activity, because of its
21 heavy capital nature, which varies tremendously
22 with or without protection.

23 The final point is that the Manitoba
24 Government shares the concern of the shipyard
25 owners in the defence considerations which have
26 been argued before this Commission. To date
27 the shipyard owners have not offered, so far as
28 we are aware, in return for restrictive, protec-
29 tive legislation, to guarantee to keep at least
30 the required nucleus of workers on their payroll



1 for any period of time.

2 THE CHAIRMAN: What do you mean, that they
3 have no such guarantee? They say if restriction
4 is limited to Canadian-built ships, they will
5 have all the required nucleus at work in Canadian
6 yards because there would be Canadian boats for
7 them to build.

8 MR. SHEPARD: I know they say that, Mr.
9 Chairman, but my point is that I would expect them
10 to say that, just as I would expect my own self
11 or any interest in opposition to them to make this
12 submission, that the restrictive legislation which
13 is being sought is not going to constitute a
14 guarantee of the defence nucleus which we as
15 Canadians realize we must have.

16 THE CHAIRMAN: Well, that is true.

17 MR. SHEPARD: Well, it is simply exactly
18 opposite to the submission we would expect the
19 ship construction industry to make.

20 Now, Mr. Chairman and Commissioners, the
21 Honourable Lionel Chevrier, President of the
22 St. Lawrence Seaway Authority, spoke before the
23 Canadian Club in Winnipeg on September 13,
24 1955, and I am not here seeking to give evidence
25 of what he said but I would ask the permission
26 of the Commission to adopt his language and use
27 it on behalf of the Government of Manitoba in
28 concluding our submission.

29 "With the completion of the Seaway
30 "in 1959 larger deepsea vessels will be



1 "able to reach the Great Lakes, and the
2 "Lakers will be able to reach tide-water.

3 "Both types have their advantages
4 "and either is unlikely to displace the
5 "other in its specialized uses under the
6 "conditions which one can visualize will
7 "obtain with the operation of the Seaway.

8 "The Lakers are able to handle large
9 "bulk cargoes at the comparatively shallow
10 "draughts required in different parts
11 "of the Great Lakes Route such as the St.
12 "Mary's River and Detroit River, but they
13 "are not structurally strong enough for
14 "deepsea conditions, and the cost of deepen-
15 "ing locks, canals, channels and harbours
16 "on the St. Lawrence System to enable
17 "ocean-going bulk carriers, combining deep
18 draught and seaworthiness, to operate to
19 "maximum capacity there would be prohibitive.

20 "Bulk traffic on the Great Lakes and
21 "the Seaway would probably continue to be
22 "carried in Laker-type vessels which can
23 "operate between Seven Islands, Quebec
24 "and Lake Superior ports handling ore,
25 "grain and coal.

26 "Thus transshipment to deepsea ves-
27 "sels of grain for export must take place
28 "somewhere and it would seem that ports
29 "located below the Seaway would be the
30 "most logical points for transshipment



1 "since the Lake vessels would be coming
2 "down as far as Seven Islands to pick up ore.

3 "On the other hand, some transshipment
4 "could conceivably take place at Lake Erie
5 "or Lake Ontario ports if it should prove
6 "more profitable to bring grain to these
7 "ports where it could be picked up directly
8 "by the ore carriers returning to Seven
9 "Islands. Many factors enter into the pic-
10 "ture, such as types of vessels, ownership
11 "of vessels, bulk cargo rates, the time
12 "factor, costs of transshipment and others.

13 "Acting to prevent a complete shift
14 "from earlier traffic patterns is the res-
15 "tricted season of navigation on the Seaway
16 "route. To advance the new crop as far as
17 "possible toward the seaboard within the
18 "two months of time available between the
19 "harvest and the close of navigation, avail-
20 "able grain is cleared from the lakehead
21 "as much as possible in lake-type bulk
22 "carriers.

23 "As to the possibility of grain being
24 "picked up at the lakehead and carried
25 "directly to Europe, this will probably
26 "be a secondary aspect of the traffic
27 "pattern, but unlikely ever to become the
28 "dominating one.

29 "Sea-going vessels of general cargo
30 "type may participate to some extent in



1 "the direct export of grain from the lake-
2 "head if, for example, an unbalanced overseas-
3 "Great Lakes traffic in the inbound direc-
4 "tion made available considerable shipping
5 "space in deepsea vessels at Upper Lake
6 "ports. But as grain is not one of the more
7 "lucrative cargoes for such vessels, the
8 "probability is that they would prefer to
9 "pick up such general merchandise traffic
10 "as they could obtain at Lake ports and
11 "wait until arrival at Montreal or beyond
12 "to fill out their cargo with grain on the
13 "assumption that there will always be some
14 "available at transshipment points in the
15 "Lower St. Lawrence. Furthermore, because
16 "of draught conditions along the route, it
17 "is possible that they would be unable to
18 "take on a full cargo at the lakehead. It
19 "would be unlikely that tramp steamers would
20 "find it profitable to come up light for
21 "the purpose of picking up grain at the
22 "lakehead."

23 There are just two other matters -- I am
24 nearly through -- I would like to mention very
25 briefly. Your Commission will recall that Mani-
26 toba also suggested the desirability of investi-
27 gating the conditions at the Lakehead ports in
28 order to ensure that steps be taken to secure
29 the maximum benefits of the Seaway traffic and
30 to maximize the potential traffic through these



1 ports by water, rail and highway.

2 I would just like to refer the Commission
3 to Dr. Mayer's evidence at page 1789 of Volume 5
4 in the record.

5 The other submission which Manitoba made was
6 that it would be well to consider the possibility
7 of an investigation of the benefits of not only
8 maintaining the status quo with relation to the
9 Canada Shipping Act, but liberalizing it eventually
10 so that the coasting trade would be open to vessels
11 of all friendly nations. I want to say that
12 this is a matter that we are not pressing at this
13 time. It is one simply that my principals hope
14 may be referred to in your report.

15 THE CHAIRMAN: Oh, I think you can be sure
16 of that.

17 MR. SHEPARD: In conclusion, Mr. Chairman,
18 I want to adopt again the words of someone else,
19 namely Dr. Mayer. He says this:

20 "In summary I would say that Manitoba's
21 "interest in the subject of this Commis-
22 "sion is primarily that the benefits to
23 "Canada that would accrue through the com-
24 "pletion of the St. Lawrence Seaway pro-
25 "ject should be spread as widely as possible
26 "through the national economy and not
27 "confined to any one or more interested
28 "groups or any one or more regions. They
29 "should be spread broadly. This can
30 "best be done at the moment at least by



1 "leaving the provisions of the Canada Ship-
2 "ping Act which permit Commonwealth vessels
3 "to participate in the coasting trade, in-
4 "tact, without change, so that potential
5 "competition will exist and will have the
6 "effect of stimulating the level of freight
7 "rates in the Lakes that would adequately
8 "reflect the savings that will result from
9 "an enlargement of the Seaway".

10 THE CHAIRMAN: Thank you, Mr. Shepard.

11 COMMISSIONER WICKWIRE: Mr. Shepard, Canada
12 Steamship Lines have advocated on more than one
13 occasion before us that the grower of wheat is
14 much more interested in the availability of ships
15 than he is in a fractional saving on freight rates.
16 Have you any comment or any suggestion to make
17 based on that?

18 MR. SHEPARD: I think, Commissioner Wick-
19 wire, that the grower -- I would not like to say.
20 I know a lot of farmers. I would not like to say
21 they are more interested in one^{thing}/than another.
22 They are interested in growing wheat and selling
23 it and getting a price for it. Now obviously
24 to live well they want to make a profit like
25 anybody else in business. They would like to
26 have the cheapest possible transportation consis-
27 tent with a supply of vessels. If they are not
28 able to move the crop they have no sale.

29 COMMISSIONER WICKWIRE: I think it has
30 been suggested that in the spring opening of



1 navigation and the closing of navigation particu-
2 lary, they are the peaks.

3 MR. SHEPARD: That is correct.

4 COMMISSIONER WICKWIRE: For movement of
5 grain, and unless you restricted the operation in
6 the Great Lakes to Canadian ships, that it might
7 be there would not be sufficient numbers of ships
8 to meet the demand in the spring and in the autumn
9 at the close of navigation.

10 MR. SHEPARD: Well, as far as we in
11 Manitoba are concerned, we would take our chances
12 on that. If it should develop that they cannot
13 move all the grain they want to move, say, in the
14 spring peak period, we have a couple of pretty
15 good railroads in this country that can carry a
16 lot of grain out of the Lakehead, east.

17 As I understand the situation, it is a
18 matter of moving the grain east at all points at
19 the seaboard in compliance with the sale, and is
20 simply a question of moving it from storage in
21 Fort William. The Upper Lake grain boats have
22 been selected through the Wheat Board at Fort
23 William. They must be moved into the Lakes from
24 the elevators going down east. The Transpor-
25 tation Controller's function in this country is
26 to see that the grain is in point delivered at
27 the seaboard in Montreal or the east.

28 THE CHAIRMAN: But the point of Canada
29 Steamship Lines is that the Transportation Con-
30 troller would not have the slightest opportunity



4/
1 of doing his function when the ships that would
2 normally carry the grain down are not in the Lakes
3 and cannot get in because the season opens later
4 in the St. Lawrence than it does in the Great
5 Lakes and it closes earlier. The St. Lawrence
6 runs north.

7 MR. SHEPARD: That is correct, sir, but,
8 as I understand the point that Canada Steamship
9 Lines makes -- I do not particularly want to use
10 the red herring comment that Mr. Hope used, but
11 this is something that is pretty much in the
12 realm of conjecture as far as I am concerned. There
13 always have been vessels, Canadian vessels, in the
14 Great Lakes. They have been in a profitable busi-
15 ness. I hope, and I certainly have endeavoured
16 to persuade the Commission, they are going to
17 continue to be competitive.

18 THE CHAIRMAN: Surely that is your answer,
19 is it not?

20 MR. SHEPARD: Yes, sir.

21 THE CHAIRMAN: The Canadian ships will not
22 be driven out of operating in the Great Lakes in
23 the spring and fall?

24 MR. SHEPARD: Yes, sir.

25 THE CHAIRMAN: If you fall on that --

26 MR. SHEPARD: I have had it.

27 THE CHAIRMAN: If this Commission comes
28 to the conclusion they will be driven out, then
29 the suggestion that there will not be available
30 carriage in the early spring and late fall is



1 a very important one.

2 MR. SHEPARD: I think it is important to
3 us, sir.

4 THE CHAIRMAN: I realize what you say about
5 the railroads, but I suggest neither railroad is
6 much interested in assembling a great mass of
7 their cars to carry your grain to Montreal and using
8 them for only a week and a half or two weeks in
9 the spring.

10 MR. SHEPARD: They do carry right now.
11 I have not the figures with me. Perhaps Mr. Stone
12 could give you those figures. The railroads do
13 carry some of the grain now.

14 THE CHAIRMAN: A certain percentage, but
15 more from the Bay ports.

16 MR. SHEPARD: Yes, sir.

17 THE CHAIRMAN: And it has been a steady
18 percentage through the years.

19 MR. SHEPARD: Yes, sir.

20 THE CHAIRMAN: No mass carriage in the
21 early spring and late fall; no suggestion made by
22 Canada Steamship Lines of that.

23 MR. SHEPARD: Mass carriage is limited to
24 the capacity of the terminals at the seaboard,
25 and the word "mass" to me means nothing till I
26 know how much capacity they have for grain at
27 these terminals, because the grain must be put
28 into the terminals for shipment overseas.

29 THE CHAIRMAN: They are full already.

30 MR. SHEPARD: That may be so. In that



1 case there would be no spring movement.

2 THE CHAIRMAN: Oh no. The ships are
3 coming as far as Montreal.

4 I do not think, Mr. Wright, there is any
5 purpose in starting your submissions at this time.
6 We will resume at 2.15.

7 ---The hearing adjourned at 12.55 P.M.

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(page 5610 follows)

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1 ---On resuming at 2.15 P.M.

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3 THE CHAIRMAN: The Canadian Pacific Railway
4 Company. Yes, Mr. Wright.
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9 ARGUMENT ON BEHALF OF CANADIAN PACIFIC
10 RAILWAY COMPANY

11 ---Mr. J.A. Wright, Q.C., appearing.

12 MR. WRIGHT: Thank you Mr. Chairman and members
13 of the Commission. The railway company's position
14 has already been set out in the brief which it has
15 filed and it forms part of the record as B-87 and
16 also in the evidence which was given in Ottawa and
17 Montreal by Messrs. Stone and Edsforth.

18 I do not think I need to refer to that again
19 but there are just a few remarks which I would like
20 to comment about regarding the position which the
21 Canadian Pacific Railway is taking before this
22 Commission.

23 In the first place what the railway company
24 is advocating is a middle course between the
25 extremes of the complete freedom, which many
26 interests would like, and the artificial re-
27 strictions advocated by the Canadian ship building
28 and ship operating industries, which would restrict
29 the coasting trade of Canada to Canadian-built
30



1 and registered ships. Under our proposal, no
2 change is required in the Commonwealth Shipping
3 Agreement or in the Canada Shipping Act. The
4 benefits received by Canada from the Commonwealth
5 shipping would be retained. That competition would
6 still be available, but the regulation we propose
7 would have the effect of eliminating excessive and
8 wasteful competition. It would also ensure a
9 dependable service for the public at published rates
10 which are reasonable and applied to all without
11 preference or discrimination. All we seek is fair
12 competition between equally regulated carriers.
13 Competition can neither be fair nor can it be relied
14 upon as an adequate regulator unless the competitors
15 in the race have an equal chance. Any competition
16 under unequal conditions is not competition at all,
17 and may only be destructive of the larger interests
18 of those in this country who must pay the trans-
19 portation bills.
20

21 Now, I submit that was brought out this
22 morning by Mr. Clarke who stated his company would
23 be at a disadvantage if regulated.

24 Now I think I should state the position which
25 the Canadian Pacific takes on regulation which is
26 that while we have in Canada a competitive system
27 of transportation from which the monopoly element
28 has been practically eliminated, it is still
29 proper to apply to the various transportation
30 agencies regulation of the kind which we advocate



1 should be applied to coastal shipping. We do,
2 however, also contend that the changed conditions
3 under which the various transportation agencies
4 operate justify a relaxation of other regulations
5 applicable to railways, such as statutory rates,
6 the one and one-third rule and the conditions with
7 respect to the making of competitive rates which
8 we do not advocate should be applied to coastal
9 shipping. We say, for example, that it is right and
10 proper that railway rates should be published,
11 should be reasonable and free from unjust dis-
12 crimination and undue preference. We also say
13 that it would be wrong to allow anyone, without
14 showing the necessity therefor, to build a railway
15 line, because without such protection the investment
16 of the railways already committed to the service of
17 the public could very well be threatened by in-
18 discriminate building in the more remunerative
19 areas while leaving the less remunerative areas to
20 those already in the business.

21 In brief we say that present competitive
22 conditions justify relaxation of railway regu-
23 lation and that to create a state of competitive
24 equality in the transportation industry, the
25 minimum of regulation still considered necessary
26 for the railways should be extended to other
27 forms of transportation, including water carriers.

28 As I have mentioned, the pattern of the
29 transportation industry in Canada has changed,
30

ROYAL COMMISSION ON COASTING TRADE

SUBMISSION IN ARGUMENT OF
CANADIAN PACIFIC RAILWAY
COMPANY

VOLUME 17 - PART D
Ottawa, Jan.9,1956

Note: A re-checking of the
Reporter's notes of the
Argument of Mr. J.A. Wright, Q.C.
on behalf of this Company,
revealed certain omissions at
pp 5613 to 5617. The attached
pages should be substituted for
those contained in the original
volume.

Supreme Court Reporters
145 Yonge St.
Toronto



1 and the railways are not as dominant as they
2 previously were. They now have serious competition
3 from other forms of transportation, in addition to
4 water transportation, trucks, aeroplanes and airlines,
5 and the Royal Commission on Transportation has
6 referred to this at page 83 of that report.

7 In the United States, where conditions are
8 somewhat similar to those in Canada, similar changes
9 have taken place. In the United States the situation
10 is referred to in the Presidential Advisory Committee
11 Report, which is marked Exhibit 2, Appendix 14.

12 Now, there has been some suggestion during
13 the hearings from various quarters that regulation
14 is only necessary in the transportation industry
15 where monopoly exists. That, I submit, is not so.
16 While competition without regulation has been
17 effective in many trades and businesses, the
18 history of transportation has shown that competition
19 alone will not produce the required transportation
20 services. This was recognized in Canada at an
21 early stage by Professor S. J. McLean in his
22 Report on Railway Commissions, etcetera, being
23 1-2 Edward VII, Sessional Papers No. 20a, 1902.
24 In this report at pages three to five he pointed
25 out that transportation problems differ from trade
26 problems, that in the transportation industry
27 regulation is necessary to eliminate the evils
28 of preferences, discriminations, rebates and
29 the effects of uncontrolled competitive rates.
30



1 In other words, even in the era when
2 railways collectively had a monopoly, there was
3 keen competition between them for certain traffic
4 and regulation was found necessary to prevent
5 destructive competition on the one hand and on
6 the other hand to protect shippers from undue
7 discrimination where competition did not exist.

8 This has also been borne out by the history
9 of rail and water transportation in the United
10 States. On this I would like to refer to a
11 report made in 1934 by the Federal Coordinator
12 of Transportation of the United States on the
13 regulation of transportation agencies other than
14 railroads and on proposed changes in railroad
15 regulation at page 58. This is contained in a
16 Senate document of the 73rd Congress, second
17 session, Document No. 152:

18 "Any plan of free and unrestrained
19 "competition in transportation would be in
20 "the teeth of experience. In the case of
21 "the railroads it was given a prolonged trial
22 "and found wanting many years ago. The
23 "results were bad for both the railroads
24 "and the country."

25 While monopoly may justify regulation,
26 nevertheless as I have indicated the history of
27 transportation in Canada, the United States and
28 many other countries shows that there are other
29
30



1 factors which have formed the basis of and
2 justified regulation, these being unrestrained
3 cut-throat and destructive competition, preferences,
4 discrimination, rebates and the evil effects of
5 uncontrolled competitive rates.
6

7 Now, Mr. Stone, who gave evidence before
8 this Commission, who has had I think the record
9 shows, great experience in transportation matters,
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11 (Page 5615 follows)
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1 testified during his evidence which commences at
2 page 4023 that he considers that even under
3 present competitive conditions there is still
4 need for regulation of the transportation industry.
5 His views on how far regulations should go are
6 given on pages 4035-4036.

7 The bases for regulation of transportation
8 agencies in Canada today are the desirability in
9 the public interest of ensuring a regular and de-
10 pendable transportation service available equally
11 to all at reasonable rates without preference
12 or discrimination. This is the common carrier
13 service referred to by Stone at page 4028.

14 Now we remember this morning the question of
15 availability of shipping was raised by the Province
16 of Manitoba, and Mr. Shepard said the Province
17 of Manitoba would be prepared to take its chances on
18 that. They are prepared to take their chances because
19 the reserves are there. The railways are required
20 to provide common carrier services which are always
21 available to anybody who wishes to use them.

22 Quite apart from the effectiveness or other-
23 wise of competition within the coasting trade
24 section of the water transportation industry, the
25 railway company's submission is that if the country's
26 economy requires a common carrier service, all
27 carriers competing for available traffic must be
28 permitted to do so on equal terms. Where you have
29 one carrier agency with common carrier responsibilities
30



1 competing for the same traffic with a carrier
2 free of such responsibilities, the competition
3 for that traffic is unequal and unfair, and the
4 usefulness and productive strength of the common
5 carrier is cut down and impaired.

6 That is supported by the evidence of Mr.
7 Stone at page 4031 and the evidence of Mr. Edsforth
8 at page 3989.

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11 (Page 5616 follows)
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1 What the railway company is seeking is
2 equality of treatment in regulation and advocating
3 that this be accomplished through relaxation where
4 regulation is unduly restrictive and by the
5 application of a minimum degree of regulation
6 where such does not now exist.

7 Without equality, dangerous inroads are made
8 upon the carrier which must respond to the respon-
9 sibilities placed upon it by regulation, by those
10 unregulated carriers which are more or less free
11 to go where they want and pick and choose the good
12 traffic on a negotiated basis. The regulated
13 carrier must take the lean with the fat. The un-
14 regulated carrier is free to take all the fat and
15 has no responsibility to take the lean.

16 The physical conditions, operating practices
17 and different agencies of transportation in the
18 United States are similar to those in Canada, and
19 it is therefore submitted that their experience
20 can be of material assistance to anyone studying
21 any phases of the transportation problems of
22 Canada. In this connection I would like to refer
23 to a book on National Transportation Policy by
24 Charles L. Dearing and Wilfred Owen published
25 by the Brookings Institution in 1949. The Brookings
26 Institution, as stated in the front of this book is
27 an institution devoted to Public Service through
28 Research and Training in the Social Sciences, and was
29 incorporated on December 8, 1927. Broadly stated,
30



1
2 the Institution has two primary purposes: the first
3 is to aid constructively in the development of
4 sound national policies; and the second is to offer
5 training of a supergraduate character to students
6 of the social sciences.

7 Now this book as the foreword states is
8 based in part on a study of federal transportation
9 activities which the authors undertook at the
10 request of the Hoover Commission on government
11 reorganization and as I understand it the Brookings
12 Institution participated in the preparation of this
13 book.

14 I might particularly refer the Commission
15 to Chapter 171 which is headed "Objectives of
16 Transport Control."

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19 (Page 5617 follows)
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2 I will not take the time to do more than
3 refer the Commission to that.

4 I would also like to refer again to the
5 report of the Presidential Advisory Committee,
6 which is the latest and the broadest practical study
7 of all transportation problems that has been made
8 on this continent in the post-war era. The scope
9 of the report is set out in Mr. Sinclair Weeks'
10 letter of transmittal to the President, Appendix 12.

11 First I may say that the Chairman of the
12 committee which prepared this report was Sinclair
13 Weeks, the Secretary of Commerce and he was
14 assisted in the preparation of the work by an out-
15 standing group of individuals. As stated in the
16 front of the report, they have long had a close
17 understanding of the nation's transportation
18 problems.

19 I think this report, in view of its nature
20 and the people who collaborated in the preparation
21 of it is deserving of consideration by anyone
22 studying transportation problems.

23 COMMISSIONER WICKWIRE: It is considerably
24 shorter than the other one you just referred us
25 to.

26 MR. WRIGHT: Yes, I think you could read
27 this one a little faster than the other one.

28 COMMISSIONER WICKWIRE: It should be commended
29 for that reason.
30



1 MR. WRIGHT: They are both worth reading.

2 THE CHAIRMAN: I have a little difficulty
3 applying American texts or reports to the situation
4 which obtained in Newfoundland, on the North Shore
5 of the St. Lawrence and the British Columbia coast.
6 It is a little difficult to see similar things
7 obtain in the United States.

8 MR. WRIGHT: I agree, and there are special
9 situations probably.

10 THE CHAIRMAN: These are situations one
11 immediately thinks of when you speak of universal
12 regulations.

13 MR. WRIGHT: I think the Commission should
14 think more in terms of the Great Lakes and St.
15 Lawrence.

16 THE CHAIRMAN: The Great Lakes already has
17 regulation as to bulk carriers.

18 MR. WRIGHT: Only as far as package freight
19 is concerned.

20 THE CHAIRMAN: And the Board of Grain
21 Commissioners?

22 MR. WRIGHT: That applies to grain.

23 THE CHAIRMAN: That is a big piece of
24 bulk carriage, isn't it?

25 MR. WRIGHT: Oh yes, it was designed to
26 apply to that. There are a great many goods
27 carried on the Great Lakes.

28 THE COMMISSIONER: Do they take them all
29 together and they are not 10 per cent of the
30



1 grain, apart from ore?

2 MR. WRIGHT: I submit, Mr. Chairman, that
3 American experience and American thinking is some-
4 thing we should not cast aside too lightly.
5 We are pretty close to the Americans and conditions
6 are quite similar and the Americans have certainly
7 done a great deal of thinking on these questions.
8 I suggest we should have due regard to things
9 which exist and take what benefit we can from them.
10 There have not been many studies in Canada and
11 that is all the more reason I say why we should
12 look to these United States studies and take what
13 we can from it.

14 Now, the philosophy of this report is well
15 summed up in the recommended declaration of
16 transportation policy which is found in Appendix
17 26, particularly paragraphs 1, 2, 4 and 5:

18 "(1) To provide for and develop,
19 "under the free enterprise system of dynamic
20 "competition, a strong, efficient and
21 "financially sound national transportation
22 "industry by water, highway, and rail, as
23 "well as other means, which is and will
24 "at all times remain fully adequate for
25 "national defence, the Postal Service and
26 "commerce;

27 "(2) To encourage and promote full
28 "competition between modes of transportation
29 "at charges not less than reasonable minimum
30



1 "charges, or more than reasonable maximum
2 "charges, so as to encourage technical
3 "innovations, the development of new rate
4 "and service techniques, and the increase
5 "of operating and managerial efficiency,
6 "full use of facilities and equipment, and
7 "the highest standards of service, economy,
8 "efficiency and benefit to the transportation
9 "user and the ultimate consumer, but with-
10 "out unjust discrimination, undue preference
11 "or advantage, or undue prejudice, and
12 "without excessive or unreasonable charges
13 "on noncompetitive traffic;

14 "(4) To reduce economic regulation
15 "of the transportation industry to the
16 "minimum consistent with the public interest
17 "to the end that the inherent economic
18 "advantages, including cost and service
19 "advantages, of each mode of transportation,
20 "may be realized in such a manner so as to
21 "reflect its full competitive capabilities;
22 "and
23

24 "(5) To require that such minimum
25 "economic regulation be fair and impartial,
26 "without special restrictions, conditions
27 "or limitations on individual modes of
28 "transport."

29 COMMISSIONER WICKWIRE: Does that report
30 favour one regulatory body for all means of



1 transportation?

2 MR. WRIGHT: Yes, and I am going to deal
3 with that later.

4 COMMISSIONER WICKWIRE: That is what you
5 are advocating.

6 MR. WRIGHT: That is our submission, yes.

7 Now, briefly the report stresses three
8 points:

- 9 1. The good role of competition.
- 10 2. The need to preserve and strengthen
- 11 agencies engaged in common carrier service, and
- 12 3. The desirability of minimum regulation
- 13 being applied to all transportation agencies, such
- 14 regulation consisting of
- 15 (a) Licensing.
- 16 (b) Publication of rates and adherence
- 17 to them.
- 18 (c) Rules against unjust discrimination
- 19 and unreasonable charges.

20 This includes prohibition of unreasonably

21 low rates, i.e., rates that fail to cover the

22 direct ascertainable cost of producing the

23 service to which the rates apply.

24 That is pretty much what we are suggesting

25 should be done in Canada.

26

27

28

29

(page 5630 follows)

30



1 THE CHAIRMAN: How far was it implemented?

2 MR. WRIGHT: Well, of course, Mr. Chairman,
3 quite a bit of this is already implemented at
4 this stage but, as was brought out in evidence in
5 Montreal, there is now a bill before the Congress
6 implementing these recommendations. Just where
7 that bill is going to get, of course, is another
8 matter, but I am putting this before the Commis-
9 sion merely as thinking on this subject of an
10 intelligent committee set up by the President of
11 the United States. I don't think for my purposes
12 it may matter probably how far it goes.

13 COMMISSIONER WICKWIRE: If such were to
14 be adopted in Canada you would not like to see
15 a shipping man being a dominant factor in such
16 body?

17 MR. WRIGHT: No, I don't think any man
18 should be a dominant factor.

19 THE CHAIRMAN: That is carrying democracy
20 pretty far. There has got to be a dominant man
21 in any body.

22 MR. WRIGHT: I took Commissioner Wick-
23 wire's remarks as probably going back to the
24 Winnipeg evidence.

25 COMMISSIONER WICKWIRE: When someone sug-
26 gested such a body might be railway-minded.

27 MR. WRIGHT: Yes, I am going to deal
28 with that a little later, if I may. It is a
29 question of personnel, I think. If I may I
30 will deal with that a little later.



1 COMMISSIONER WICKWIRE: Don't let me inter-
2 rupt you.

3 MR. WRIGHT: If any questions arise then,
4 we can deal with them. This report, I submit,
5 indicates that the United States has the same
6 problem of finding a way to harmonize competition
7 and regulation so as to produce the required trans-
8 portation at the lowest cost to the nation, which
9 we say is present in Canada. The recommendations
10 made in this report can generally, I submit, be
11 applied to Canada and support fully the Canadian
12 Pacific's submission.

13 The regulation of transportation has had
14 a long history. It has been a constant subject
15 for study by economists, legislators and the public
16 generally. The nature and scope of the regula-
17 tion has changed from time to time, depending
18 upon many factors, including the amount and
19 nature of competition and the treatment which the
20 public has considered it has^{been}/given by the trans-
21 portation agencies. However, the maintenance
22 of a common carrier service and the necessity
23 for regulation has always dominated the thinking
24 of the public and experts who have been engaged
25 in the study of transportation problems. Although
26 the trend of thinking today is towards the re-
27 laxation of the pervasive regulation applied to
28 the railways, there is no body of opinion favour-
29 ing complete abandonment of regulation, and
30 the problem now essentially is one of revising



1 the rules so as to achieve equality of treatment
2 and fair competition. This is really not a new
3 objective, but rather a re-statement of a very
4 old objective. What we are trying to do is to
5 revise the rules to make them fit present-day
6 conditions. When transportation was character-
7 ized largely by the collective monopoly held by
8 the railways the main purpose of regulation was
9 to get the best out of these monopoly conditions.
10 Now the transportation is characterized largely
11 by competition between rail, water, air and pipe-
12 line, the main purpose is to get the best out
13 of these competitive conditions. The railway
14 company has presented to this Commission a method
15 through the extension of the Transport Act which
16 in its considered opinion will assist in the
17 achievement of this objective in Canada.

18 I would like to say a brief word about
19 the question which Mr. Commissioner Wickwire just
20 raised and which was mentioned in Winnipeg by,
21 I think it was the Winnipeg Chamber of Commerce,
22 to the effect that the Board
23 of Transport Commissioners is unduly partial to
24 railways, and that it has not the personnel
25 capable of dealing with shipping problems, and
26 therefore shipping should not be placed under
27 its jurisdiction. I think that was the point
28 they made, if I remember correctly. I submit
29 this is no valid objection to placing railways
30 and shipping under one Commission. If there are



1 questions as to personnel, these can easily be
2 remedied, and it is submitted that the advantages
3 which stem from the regulation by one body of two
4 interrelated transportation agencies far out-weigh
5 any disadvantages. This question was considered
6 by the Royal Commission on Transportation at page
7 280.

8 THE CHAIRMAN: Surely that is where it
9 belonged, and not in this form.

10 MR. WRIGHT: Where what belonged?

11 THE CHAIRMAN: The question of whether
12 there should be one regulatory body belonged in a
13 Commission dealing with the subject of transpor-
14 tation. We deal only with one phase of that --
15 coastal trade.

16 MR. WRIGHT: Quite so.

17 THE CHAIRMAN: Why should this Commission
18 insert itself into that question presuming to ex-
19 press its opinion on a subject where, notwith-
20 standing the evidence you have brought, I feel
21 that we have a very, very incomplete knowledge.

22 MR. WRIGHT: Well, it is a question which
23 affects water transportation. I think your
24 terms of reference and the scope of the inquiry
25 extends to all questions within the jurisdic-
26 tion of Parliament arising out of the transporta-
27 tion by water, or by land and water, of goods and
28 passengers from one place in Canada to another
29 place in Canada.

30 THE CHAIRMAN: Well, if you extend the



1 literal words of that section we could deal with
2 the wheat problem too, and I assure you I have no
3 intention of doing so.

4 MR. WRIGHT: Well, the question as to
5 whether or not water carriers should be regulated
6 or not and, if they should be regulated, by what
7 body they should be regulated, I submit is some-
8 thing which comes directly within that passage
9 which I read. That is one of the reasons we are
10 bringing it up. The Commission may not feel
11 they wish to deal with it but that is probably
12 another matter. In that connection I just wish
13 to refer to the experience in the United States
14 which, again, I think Mr. Commissioner Wickwire
15 mentioned.

16 In the United States railway, ships and
17 motor carriers are all subject to the regulations
18 of the Inter-State Commerce Commission, and I
19 think it can be assumed if there were any dis-
20 satisfaction with that plan it would have been
21 mentioned in the report.

22 COMMISSIONER WICKWIRE: There are a lot
23 of other things also subject to the Inter-
24 State Commerce Commission.

25 THE CHAIRMAN: I don't know whether I
26 follow that: "It would be mentioned in the re-
27 port if there were objections"?

28 MR. WRIGHT: Well, it doesn't necessarily
29 follow, Mr. Chairman, but if this committee had
30 found that these various transportation agencies



1 should be regulated by bodies different from the
2 I.C.C. I think they certainly would have said so.

3 THE CHAIRMAN: If they had so found.

4 MR. WRIGHT: Yes, but there is no mention
5 of any change, and they have further strengthened
6 the powers of the I.C.C. by their recommendations
7 that they implemented, and I would certainly sug-
8 gest that it could be inferred from that that
9 the existing situation of having the one agency,
10 or the one Commission, regulate them all is meeting
11 with satisfaction down there.

12 The question as to how far this Commission's
13 terms of reference extend has been mentioned, and
14 I submit that it does extend to the consideration
15 of the various matters which I have mentioned.
16 Whether the Commission wishes to go that far is
17 another matter, but there is the question of
18 regulation mentioned and the question of the
19 single regulatory body, and there is another
20 question which arises out of the transportation
21 by water and that is the relationship and effect
22 of such transportation on other forms of trans-
23 portation in Canada. I submit you cannot con-
24 sider water transportation quite separate and
25 apart without giving some thought to the other
26 forms and what effect they have on water and
27 what effect water has on them. You cannot, I
28 submit, departmentalize the inquiry to that
29 extent. I think that was indicated in the
30 Turgeon Report in the Royal Commission on



1 Transportation, and I submit that should not be
2 done. I submit that water transportation should
3 not be considered separate and apart from other
4 forms of transportation. The effect that each has
5 on the other and upon the nation's total trans-
6 portation bill must be kept in mind. That is
7 substantially what we say in paragraphs 3, 4 and
8 5 of our submission, the ultimate objective being
9 to provide the people of Canada with adequate and
10 modern transportation services at the lowest cost
11 to the nation and without uneconomic consumption
12 of labour and materials.

13 I think there is nothing further I wish to
14 say, unless there are any questions.

15 THE CHAIRMAN: Thank you very much.

16 The Canadian National Railways, Mr. Cote?
17 As you have perhaps noted, we are prepared to
18 take your argument in either English or French
19 today.

21
22
23 ARGUMENT ON BEHALF OF THE CANADIAN
24 NATIONAL RAILWAYS.

25 ---Mr. Lionel Cote, Q.C., appearing.

26 MR. LIONEL COTE

27 MR. COTE: Mr. Chairman and members of
28 the Commission, you have now reached a point of
29 the complete inquiry which you have conducted
30



1 where the most important part of your assignment
2 has to be fulfilled; that is, to draw conclusions
3 from the information which has been furnished to
4 you and to draft recommendations which will assist
5 the Government in the formulation and implementa-
6 tion of the policy which is to govern the coasting
7 trade in Canada after the St. Lawrence Seaway
8 has been completed.

9 I do not wish to minimize the value or the
10 importance of the coasting trade in the nation's
11 economy, but, after all, it is only a part of
12 the nation's transportation machinery and, if
13 compared with the transportation furnished by rail
14 carriers, you will see that on the basis of
15 tonnage carried, that land carriers are much more
16 important. In these circumstances I submit that
17 your Commission cannot in dealing with the coast-
18 ing trade deal with that phase of the transpora-
19 tion field alone. You must, in arriving at
20 any possible conclusion or proposed policy, ex-
21 amine necessarily what effect that proposed
22 policy is going to have on the rest of the trans-
23 portation in Canada. Without doing that I
24 do not believe that the Commission could enun-
25 ciate a policy which would truly serve the pur-
26 pose.

27 Under existing conditions we have some
28 measure of control over some of the ships en-
29 gaged in the coasting trade in the Great Lakes
30 and in the St. Lawrence River as far down as



1 Quebec City. This waterway serves an area which
2 has the greatest density of traffic in Canada and
3 where both forms of transport compete for the
4 handling of that traffic. Moreover, the greater
5 number of ships operating in the area are Canadian
6 ships manned by Canadian crews so that, generally
7 speaking, rail and water carriers operating in
8 the same environment compete on the basis which,
9 to a large degree, is rational and equitable.
10 This permits each carrier to attract traffic which
11 it is best suited to handle economically. Under
12 existing legislation we also have the Board of
13 Transport Commissioners exercising jurisdiction
14 over rail and regulated water carriers, and the
15 Board's main function, as defined in Section 3
16 of the Transport Act, is to co-ordinate and
17 harmonize the operations of all carriers engaged
18 in transport by railways and ships. These are
19 the conditions which now prevail and under which
20 the two types of carriers now operate and com-
21 pete in the area which I have described. We
22 consider this setup to be fair and reasonable
23 and subject to the modifications in the defini-
24 tion of bulk goods and in the tonnage of ships
25 to which the law should apply, as we have indi-
26 cated in the submission previously made to
27 this Commission, we would like and we would
28 be satisfied if the same conditions were made
29 to apply to the whole of the coasting trade
30 insofar as Canadian-built and manned ships are



1 concerned.

2 The Canadian National does not complain of
3 having to compete against a Canadian-built and a
4 Canadian-manned ship to which existing regulations
5 apply, and it does not advocate that the control
6 now exercised by the Board of Transport Commission-
7 ers should be made more rigid. However, as the
8 largest rail carrier serving the ten provinces,
9 and with main lines skirting the whole length
10 of the St. Lawrence Seaway, the Commission will
11 appreciate that the Canadian National has a vital
12 interest in the policy which is to be formulated
13 and in any change which might also be the frame-
14 work of competition within which the two forms
15 of transportation now function. With the advent
16 of the Seaway there is no doubt that we shall have
17 intensification of competition between rail and
18 water carriers, and that British ships which so
19 far have played a small part in the coasting
20 trade, due to the limitations of the existing
21 canal network, are bound to create a difficult
22 situation unless a rational and equitable compe-
23 titive framework is established and maintained.
24 The Canadian National does not object to having
25 competition, provided it is fair. Its views
26 in the matter are clearly stated in its brief,
27 and may I be permitted to just read a few lines
28 from the third paragraph of that brief where it
29 is said that the Canadian National's views stem
30 from a consistent policy which values vigorous



1 and orderly competition as a spur to efficiency and
2 the surest guide to a sound national transportation
3 system adaptable to change. It is not a part of
4 that philosophy that regulation should be used
5 to circumscribe or artificially limit the inherent
6 economic strength of any medium of transportation.

7 COMMISSIONER WICKWIRE: What does that
8 mean?

9 MR. COTE: Well, it means we are not afraid
10 to compete. We live with competition provided
11 the competition that is offered is on a fair basis.

12 THE CHAIRMAN: But isn't "on a fair basis"
13 so far as you are concerned simply loading it
14 with detriments which reduce its efficiency to
15 compete, which negative its natural advantage?

16 MR. COTE: Well, I will come to that point
17 later, Mr. Chairman.

18 THE CHAIRMAN: All right, let us come to
19 that, because that is the crux of the whole
20 situation.

21 MR. COTE: Because, you know, if your
22 Commission's aim and policy was merely to provide
23 a low-cost transportation, it would be easy to
24 handle. The suggestions which the Canadian
25 National has advanced were made primarily for
26 the reason that they would benefit the nation's
27 interest as a whole, and what would be good
28 for the nation as a whole would be good enough
29 for the Canadian National. Of course, if the
30 policy and sole aim of this Commission were to



1 provide the people of Canada with the lowest pos-
2 sible cost transportation by having full and wide-
3 open competition among smaller carriers so as
4 to reap, irrespective of consequences, what would
5 appear on its face value to be advantages from
6 the intensification of competition which the Sea-
7 way will make possible, then I believe that the
8 task of your Commission would be a very simple
9 one indeed. The only recommendation that this
10 Commission would have to make would be simply
11 to repeal the first three parts of the Transport
12 Act, repeal also those sections of the Canadian
13 Shipping Act which bar foreign ships from the coas-
14 ting trade in Canada, and then you would have
15 it. We would have free and wide-open competition.
16 Such a policy, to my mind, would for a time
17 produce the desired result and bring water carriers
18 and water rates to the lowest possible level.
19 However, it would be extremely difficult to justify
20 that such policy would be in the public's best
21 interest since in the process Canadian shipbuilding
22 and other related industries would be wiped out.
23 Canadian-built and manned ships would dis-
24 appear from the scene and so would British-built
25 ships if foreign steamship lines had such a
26 cost advantage that they could not compete, but
27 put them out. Insofar as rail carriers are
28 concerned, it might reach the point where the
29 loss of traffic would be of such consequence
30 that the railways, to continue to maintain their



1 full facilities, to serve the nation when the
2 Seaway is closed during the winter, or to serve
3 the rest of the country which has no other way,
4 then of course the railway would have, to maintain
5 those facilities, to recoup elsewhere on the ship-
6 pers the cost required to maintain those facilities,
7 with the end result that those few shippers who
8 would benefit by the cheap rate of the St. Law-
9 rence Seaway would do so by others who cannot
10 benefit by it paying for it; and to pay such a
11 high cost to provide the lowest possible water
12 rate certainly would not be good policy for the
13 economy of Canada as a whole. Low transportation
14 costs are desirable, but once you get them and
15 create disruption to the extent that the dis-
16 advantages are greater than the benefits then it
17 is time to exercise some form of control which
18 would prevent the development of such a
19 situation. The protection required for the
20 whole domestic rail and water transportation ser-
21 vices against killing competition which foreign
22 ships could create due to their advantage in
23 regard to operating costs is no doubt the com-
24 pelling factor that has caused ships to be kept
25 out of Canadian coasting trade.

25 THE CHAIRMAN: Now you are using "for-
26 eign" in the meaning of "non-Commonwealth"?

27 MR. COTE: Oh yes, non-Canadian, for-
28 eign and non-British.

29 THE CHAIRMAN: Well, let us call it
30



1 "non-Commonwealth". You say it is to protect
2 Canadian industry. As a matter of fact, it is
3 a mere historical accident, Mr. Cote.

4 MR. COTE: I say this: that the protec-
5 tion of coasting industry by tradition ---

6 THE CHAIRMAN: It was the protection not
7 of the Canadian coasting industry at all, but
8 of the British Empire, and it has simply been
9 followed along.

10 MR. COTE: Yes, but you will find that in
11 all nations.

12 THE CHAIRMAN: If you carry out an investi-
13 gation of the history of the statutory protection
14 you will see that is undoubtedly true. There
15 never has been a forward step in the protection.
16 It is simply the retention of the old British pro-
17 tection which is there under the Navigation Acts
18 which have been in effect since 1848 or 1854.

19 MR. COTE: By tradition all nations with
20 coastal waters provide for restriction of the
21 coastal trade.

22 THE CHAIRMAN: The United Kingdom has
23 failed to follow that tradition since 1854.

24 MR. COTE: Well, I mean to say, in be-
25 tween the Commonwealth nations.

26 THE CHAIRMAN: No. A Dutchman can sail
27 from Hull to Southampton now in coastal trade,
28 and does to a very small extent, but, neverthe-
29 less, it is so that we have continued a tra-
30 dition which has been thrown away in England.



1 MR. COTE: Of course, I submit that this
2 prohibition which now exists against foreign ships
3 is not much different from the prohibitions that
4 exist in respect of the dumping of goods on
5 the Canadian market in circumstances where that
6 dumping would damage or injuriously affect well-
7 established Canadian industry. I submit that
8 what protection is to be given to the Canadian
9 transportation industry is the one factor which,
10 in my view, makes the problem you have to resolve
11 a complex one. It is well to remember, I believe,
12 that Canada has become an important industrial
13 and trading nation of importance in great measure
14 due to tariff protection, and as a consequence
15 the Canadian consumer has had in many cases to
16 pay more for the Canadian-manufactured goods he
17 uses than if those goods were imported free of
18 duty.

19 THE CHAIRMAN: Well, with that I certainly
20 agree.

21 MR. COTE: That is to pay for the develop-
22 ment of the industrialization of Canada.

23 COMMISSIONER WICKWIRE: Some consumers
24 claim they have paid too much.

25 MR. COTE: Oh, yes.

26 THE CHAIRMAN: They have not used any
27 such modest words as that.

28 MR. COTE: But I believe that all in
29 all it must be admitted that the industrializa-
30 tion of Canada by means of that tariff protection



1 device has been a good thing for Canada and has
2 procured for the Canadians the high standard of
3 living which they now enjoy. Without that, Canada
4 would have remained an agricultural country. It
5 would still be digging the raw materials from its
6 soil to be shipped outside where it could be
7 manufactured and processed in greater quantities
8 and at much lower cost than could be done in
9 Canada. In view of that, I can see no reason why
10 the Canadian transportation machinery by rail and
11 water could not be similarly protected. The rule,
12 with very few minor exceptions, is that nations
13 with coastal waters, to ensure dependability of
14 service, reserve the coasting trades for their
15 own people and protect it against outside operators.

16 THE CHAIRMAN: That might be the rule, but
17 I suggest that the minor exception is the United
18 Kingdom, and it is quite a "minor", being the
19 largest, I believe yet, single nation engaged in
20 shipping.

21 MR. COTE: We also have the Commonwealth
22 Agreement of 1931 where very special privileges
23 are enjoyed by those who are parties to it, but
24 it is not the Canadian National's submission
25 that anything be done to interfere with that
26 agreement or with British ships being barred
27 from the Canadian coasting trade.

28 THE CHAIRMAN: I thought you were just
29 making that submission at the present time. Am
30 I mistaken? You don't hold for any restriction



1 to Canadian registration?

2 MR. COTE: We don't want to bar British
3 ships from operating in the coasting trade.

4 THE CHAIRMAN: British-registered ships?

5 MR. COTE: British-registered ships, as
6 they do now, but what we want to achieve is to
7 equalize the chances in competition.

8 THE CHAIRMAN: A few moments ago you were
9 emphasizing the words "Canadian-registered", and
10 I was under the impression that was the position
11 you were taking in this argument, although I
12 realize it is not in your brief.

13 MR. COTE: In the Canadian-built and
14 Canadian-manned ship we like to compete on the
15 basis that now exists.

16 THE CHAIRMAN: What about the United King-
17 dom-manned; do you like to compete with it?

18 MR. COTE: We like to compete provided
19 that the basis of competition be fair.

20 THE CHAIRMAN: What does that mean?

21 MR. COTE: To be fair in that the cost
22 of providing the services be in some way equal-
23 ized before they can compete

24 THE CHAIRMAN: That is what I say; you
25 just load the saddlebags of the other horse so
26 it goes as slowly as you do.

27 MR. COTE: Well, the other way, Mr.
28 Chairman, if we don't load the saddle-
29 bags, is to let the foreign ships come in.

30 COMMISSIONER WICKWIRE: Should not the



1 cost of the services he performs bear some relation
2 to his cost of performing it?

3 MR. COTE: Oh yes, of course.

4 COMMISSIONER WICKWIRE: And if he can per-
5 form it cheaper than you and still make his costs
6 and something more than that, is that fair com-
7 petition?

8 MR. COTE: Well, it depends. Like Japanese
9 goods manufactured at very low rates, they have
10 an advantage on us, but that does not mean it is
11 fair competition that these goods come in and
12 compete with Canadian-manufactured goods. The
13 same principle that applies there is good here
14 as well.

15 THE CHAIRMAN: Or bad.

16 MR. COTE: Well, I think it is a good ---

17 THE CHAIRMAN: If the principle of protec-
18 tion on the basis of cheap Japanese labour is a
19 bad principle -- let us imagine a minute sort
20 of person, the old-time free-trader; if that is
21 bad in principle, is your proposition also bad in
22 principle?

23 MR. COTE: I believe that if the free
24 trade be allowed to govern in Canada we would not
25 see Canada as it is today.

26 THE CHAIRMAN: Well, that is what you
27 believe, but you only gave one of the many, many
28 Canadian assets -- agriculture. You forget such
29 things as electric power, minerals, uranium,
30 and everything else that might go well to make



1 Canada as great as it could be made with a protec-
2 tive tariff.

3 MR. COTE: Well, of course, on the subject
4 there could be many different views. But, Mr.
5 Chairman, if on the other hand British ships by
6 reason of their cost advantage are allowed with
7 the advent of the Seaway to create a situation
8 somewhat similar to that which would prevail if
9 foreign ships were allowed to participate in coas-
10 tal trade, then I believe that some corrective
11 measures should be taken to provide for fair and
12 equitable competition. With such protection it
13 would result in a better and more dependable ser-
14 vice in the coasting trade, even if we have to
15 forego benefits which would prove illusory when
16 considered in relation to the national economy
17 as a whole.

18 It is for these considerations that Canadian
19 National propose that some adequate charges be
20 levied against British ships which engage in the
21 coasting trade to equalize chances and enable
22 Canadian-built and manned ships and rail carriers
23 to compete effectively.

24 As regards regulations, as I have mentioned
25 before, we are not asking that they be made any
26 more rigid than they are at present. Our sug-
27 gestion is that they be made to apply to the
28 whole coasting trade generally, subject to the
29 exceptions particulars of which were given by
30 the railways' representatives when they gave



1 evidence before your Commission.

2 COMMISSIONER WICKWIRE: That is only
3 down to 100 tons, isn't it?

4 MR. COTE: Only, yes.

5 COMMISSIONER WICKWIRE: The rowboats and
6 the dorries you can leave out.

7 MR. COTE: Well, as to them, from an ad-
8 ministrative point of view the Board of Transport
9 Commissioners could easily deal with that kind of
10 matter.

11 THE CHAIRMAN: No, no; we cannot duck our
12 responsibilities that way, Mr. Cote. We cannot
13 say, "Oh, well, somebody can come along and ad-
14 ministrature the thing and exempt not one particular
15 ship, but one class of ship". If they should
16 be exempt, then it should be part of the policy
17 we recommend.

18 MR. COTE: Oh yes, there was some question
19 about fishing ships, and I don't see why they
20 should be exempt as a class, and there are other
21 classes of ships which would require specific
22 exemption as well where they do not trade in the
23 transportation field at all.

24 THE CHAIRMAN: I suggest to you the
25 standard Newfoundland schooner runs from 80 tons
26 to 100 tons, and why should we consider the
27 100 and call one the fish and one the flesh?

28 MR. COTE: We are not insisting it be
29 100, Mr. Chairman. All that we had in mind
30 is that we felt that the present limitation of



1 500 tons was too high. It should be lowered be-
2 cause the aggregate amount of traffic carried by
3 the large number of schooners below 500 tons has
4 some significance.

5 THE CHAIRMAN: Are you prepared to carry it?

6 MR. COTE: What do you mean?

7 THE CHAIRMAN: Is the Canadian National
8 Railway prepared to carry it?

9 MR. COTE: To carry that traffic?

10 THE CHAIRMAN: Yes.

11 MR. COTE : It all depends where it is.
12 It would go by rail ---

13 THE CHAIRMAN: It could not go by rail.
14 It will go by Canadian National, unless you built
15 a lot of railroads in Newfoundland that are not
16 there now. Are you prepared to carry it in the
17 coastal trade?

18 MR. COTE: We are prepared.

19 THE CHAIRMAN: Well, we heard from New-
20 foundland that you don't carry by any means the
21 whole of it, and that is the reason.

22 MR. COTE: No, we don't carry the whole
23 of it. We have the most important coastal ser-
24 vice, even at that. What we feel is that I
25 don't see why there should be discrimination as
26 between ships engaged in the coastal trade.
27 What is good for one ship should be good for
28 the others, and that is why I suggest that the
29 regulations should now be extended to the
30 trade. We believe that the ship engaged in



1 coastal trade, in the transportation of goods,
2 should be licenced on the basis of what I have out-
3 lined. This necessarily would prevent wasteful
4 competition, would prevent chaotic conditions.

5 THE CHAIRMAN: Who is it wasteful to?
6 Is there any wasteful competition in Newfoundland
7 now?

8 MR. COTE: I am not speaking of Newfoundland
9 specially.

10 THE CHAIRMAN: Well, the St. Lawrence, then?

11 MR. COTE: There would be areas such as
12 in the Great Lakes, for instance, where exactly
13 the regulations of the Transport Act were brought
14 into effect in 1938.

15 COMMISSIONER WICKWIRE: Are you speaking of
16 bulk or package goods, or both?

17 MR. COTE: No, I mean ships engaged not
18 on bulk goods, but goods that are exempt from the
19 regulations. I am speaking of those ships which
20 trade in the coastal trade and handle freight.

21 COMMISSIONER WICKWIRE: General cargo?

22 MR. COTE: Yes.

23 THE CHAIRMAN: Was the purpose of the
24 regulation enacted in 1938 to end wasteful compe-
25 tition? I think it was just the opposite purpose.

26 MR. COTE: I think there was quite a bit
27 of competition in the Great Lakes at that time,
28 but conditions got into chaos and something had
29 to be done. There was a Great War and all that
30 sort of bad condition that had to be corrected,



1 so it is not only when there is plenty or many
2 ships available that regulations should be applied.
3 We believe also that there would be benefit in
4 having ships engaged in the coastal trade, bearing
5 in mind that one of the main points to be avoided
6 is discrimination against shippers. We believe
7 also that the Board of Transport should be vested
8 with the power to intervene and adjust rates when-
9 ever and wherever a situation develops that re-
10 quires such intervention.

11 THE CHAIRMAN: What does that mean? Does
12 that mean you wish to implant on the whole of the
13 coastal shipping the situation allegedly which
14 maintains in the Great Lakes, that the rates are
15 at a certain differential below rail rates?

16 MR. COTE: No, I don't advocate that, but
17 what I mean, by way of illustration, is that you
18 may have a water carrier which is alone providing
19 the service in a certain area, and that unless
20 there is some power in the Board to regulate, that
21 fellow might charge a maximum and the public using
22 that service is likely to suffer.

23 THE CHAIRMAN: Supposing he charges rates
24 that are too high?

25 MR. COTE: Well, you don't get the ser-
26 vice. The people either use it and are gouged,
27 or they don't use it.

28 THE CHAIRMAN: Some competitor comes in
29 and under-cuts him.

30 COMMISSIONER WICKWIRE: That would be



1 unfair; is that so?

2 THE CHAIRMAN: That is just bringing in
3 competition.

4 MR. COTE: I am speaking of the case where
5 there is no competition.

6 THE CHAIRMAN: Well, have you got a mono-
7 poly or a franchise?

8 MR. COTE: No, not a monopoly, but there
9 are a lot of services in Canada where there is,
10 in effect, a monopoly because there is just one
11 ship operating.

12 THE CHAIRMAN: Well, it is because he is
13 operating at a rate that suits them that there is
14 only one ship operating. If he increased the
15 rates there would be another ship come in.

16 MR. COTE: Well, he might also charge
17 a rate to one shipper and a higher rate to another
18 shipper in the same locality. Why should there
19 be such discrimination and why should not there
20 be a Board to adjust? After all, they are not pri-
21 vate industries. You have to make a distinction
22 concerning ships engaged in transportation of
23 goods. In a sense it is a public utility, and
24 a public utility, when they engage in that sort
25 of service they have to provide the service and
26 to provide it at a reasonable rate.

27 THE CHAIRMAN: Has there been any de-
28 claration in law that they are public carriers?

29 MR. COTE: Well, they are common carriers.

30 THE CHAIRMAN: I am thinking again of



1 this family group running a 2500 ton schooner
2 around the coast of Newfoundland; is there anything
3 in law whereby he could not object to carrying
4 Tom Smith's goods because he doesn't like Tom
5 Smith?

6 MR. COTE: Well, when he engages himself
7 in transportation of goods for reward he is a
8 common carrier, whether it is a family affair or
9 a corporation.

10 THE CHAIRMAN: Well, I suggest that is a
11 pretty broad classification. You may engage in
12 the transportation of goods for compensation,
13 and you only may carry the Smith Company's goods
14 and nobody else's, and you certainly wouldn't be
15 a common carrier.

16 MR. COTE: Well, you may be a private
17 carrier in that instance.

18 THE CHAIRMAN: Well, instead of carrying
19 only Smith's goods, he carries Smith's, Jones',
20 Brown's and Thompson's, but not Sawbuck's. I
21 think you are taking quite a jump when you refer
22 to all of these coastal carriers as being common
23 carriers. I think there is a very considerable
24 group of them that are not.

25 MR. COTE: Well, I will admit that,
26 Mr. Chairman. I was speaking generally of those
27 who engaged in that kind of business, that they
28 would be common carriers. Of course, as to
29 the licensing of ships, I do not believe that
30 initially it would be any great administrative



1 difficulty. All the Board of Transport would
2 have to do initially would be to issue a licence
3 to all ships who are in operation on the coastal
4 trade on a certain date, and after that all the
5 Board would have to deal with would be with the
6 new applicants, and similarly, with the question of
7 filing of tax. I think that the Board could very
8 reasonably be given the power to exempt certain
9 classes of carriers from fulfilling that obligation
10 provided, of course, that the Board always retains
11 the power to correct discriminatory treatment
12 that the ship operators might decide to mete out
13 to the shipping public.

14 In conclusion, what we submit is required
15 is a continuation, the enlargement and the exten-
16 sion of the Board's function as defined in Section
17 3 of the Transport Act. I think that the Board
18 should be made to work for a still closer co-
19 ordination and harmonization in the operation of
20 rail and water carriers engaged in coasting
21 trade.

22 THE CHAIRMAN: Thank you, Mr. Cote.

23
24 ---A short recess.

25
26
27 (Page 5660 follows)
28
29
30



1 THE CHAIRMAN: Yes, Mr. Gerity?

2
3
4 ARGUMENT ON BEHALF OF THE DOMINION
5 MARINE ASSOCIATION

6 ---Mr. F.O. Gerity, appearing.

7 MR. GERITY: Mr. Chairman, if I might take
8 care of two small preliminary matters to get them
9 out of the way; I would like to make a correction
10 in Volume 17(B) at page 5249 when you gave me
11 permission to give some additional information
12 about canallers and it does not seems to have come
13 out quite right. If I might make that correct with
14 the reporters.

15 THE CHAIRMAN: Yes.

16 MR. GERITY: The second thing is, I have
17 forgotten to answer one question of Commissioner
18 Belanger which he directed to me as to the actual
19 cost of four vessels class A in Exhibit 93, they
20 averaged \$4,305,500. These vessels were built a
21 few years ago and the latest vessel, the price of
22 which I am aware, is \$5,575,000.

23 THE CHAIRMAN: That is one of those four?

24 MR. GERITY: No, it is not, those are the
25 four which are in the letter which I directed to
26 the Commission dated the 19th of December. Now,
27 Mr. Chairman and gentlemen of the Commission, it
28 is now almost exactly six months since I first
29 had the privilege of addressing this Commission
30



1 and speaking to our brief which is No. 28 and this
2 submission which was Exhibit 7. At this time it
3 will be recalled, of course, that while we brought
4 forward such evidence as seemed advisable, I do
5 not think we quite knew what direction things might
6 take and we have hastened forward with fresh sand-
7 bags since that time.

8
9 Now, we put forward two proposals and I will
10 take the opportunity of recalling them because as
11 to the second I think I have as yet said but little.
12 Our first proposition was that we asked that
13 paragraph 13 of the Canada Shipping Act be amended
14 by the insertion of the word "Canadian" instead of
15 "British" and the definition section of the same
16 Act be suitably redrawn.

17 Our second proposition was that the nature
18 of the Great Lakes was such and the trade carried
19 on it that we should enter into some treaty
20 relationship with the United States to preserve
21 an essential trans-boundary trade between the
22 two nations. At a later stage, Mr. Chairman,
23 I hope to make clear why we consider that second
24 submission to be of importance not only to
25 ourselves but to my friends who have agricultural
26 interests and are interested in a lesser carriage
27 rate for grain. Now, I made clear at the
28 same time that our submissions were as to
29 the inland waters only as defined in the Canada
30



1 Shipping Act and that is, of course, first of all
2 a line so far eastward as a line drawn between
3 Desrochers through a line drawn through the west
4 point of Anticosti Island extending to the north
5 shore and it is important that that be accepted
6 because within it lies the port at Seven Islands.
7 We also made perfectly clear that nothing which
8 we proposed went to interfere with any of the
9 expected increase of import and export trade from
10 this area, from or to ports abroad and that no
11 nation which heretofore enjoyed any particular
12 trade in this area from which we seek to debar
13 them.
14

15 Now, as to the reply, Mr. Chairman, I might
16 say again that I represent 27 companies as set out
17 in Exhibit 7 and they are not all members of this
18 association and they are not all large companies
19 in which stock market speculators invest. I
20 might say and make it amply clear that like those
21 who pursue agricultural matters they are in
22 business to make a profit and for no other
23 reason. They have invested approximately
24 \$200 million in vessels and they have not asked
25 for any assistance from the government of this
26 country other than has been given by the de-
27 preciation allowed under the statute. And now,
28 it has always been our submission and it has
29 always been clear that nothing we propose
30



1 would interfere or infringe upon any trading rights
2 enjoyed on the coasts of the Atlantic provinces or
3 the British Columbia coastline. In that connection
4 I am extremely grateful for the concessions given
5 to us on Friday morning last by my friends who
6 represent interests in that region, principally
7 the Government of Newfoundland, the Maritime
8 Transportation Commission and the representatives
9 of Furness Withy and Irving Oil interests all of
10 which is contained in Volume 17(C) at pages 5336,
11 5337, 5373, 5395 and 5404. With respect to the
12 last reference at page 5040, I must take exception
13 to Mr. F.D. Smith's definition of inland waters
14 because of what I said as to the port of Seven
15 Islands. We, therefore, propose that the definition
16 in the Canada Shipping Act, Section 2(41) be
17 maintained.
18

19 Now, there is no important Canadian shipping
20 company trading on the east coast of Canada who
21 have come forward to oppose us in this matter or
22 to ask for restrictions in the coasting trade
23 save only my friends for Clarke Steamship group
24 who have taken exception to the barrier we have
25 drawn at the line of Anticosti Island. Suffice
26 for me to say that that company is the recipient
27 of handsome subsidization from the dominion and
28 provincial governments to the extent of \$1,103,000
29 in the last year of public accounts which I
30 think should go far to soften the blow of having



1 a line drawn at Anticosti Island. As that is a
2 matter of policy I would refer briefly to the
3 fact that the Queen's Commission and the terms of
4 reference, Exhibit 1, paragraph d, clearly contemplates
5 that this Commission can recommend that there be
6 different policies with respect to the different
7 parts of Canada even as was enacted into the
8 Transport Act, Chapter 271 of the revised statutes.

9 Now, our problem arises only from the building
10 of the seaway and I should make it clear that the
11 building of the seaway opens for the first time an
12 enlarged area of navigation and trade to United
13 Kingdom and foreign vessels in which they may
14 participate freely in import and export trade and
15 earn dollars and some percentage of their investment
16 and I suggest that some of the pattern of that
17 trade might be gathered from evidence given by
18 Dr. Mayer in Winnipeg and some of which is set
19 forth in an article in the Economist dated the
20 24th of December last on page 1108 which has to
21 do with the port of Chicago. I do not offer it
22 as an exhibit but for information only and it
23 will be seen from it what benefits shippers
24 and consignees get from import and export
25 trade which I suggest is the real reason for
26 the building of the seaway coupled with the
27 crying and urgent necessity for more electric
28 power.

29 As to my next point, Mr. Chairman, I
30



1 do not propose to enumerate those who are for and
2 those who are against these proposals nor suggest
3 that there be any balancing of the teams in order
4 to see upon which side the weight might lie.
5 Generally, however, it will be obvious that labour
6 has supported them and in that connection you may
7 have noted that at the wedding of the A.F. of L.
8 and the C.I.O. in New York representing 15 million
9 members, they put forward and endorsed a proposal
10 which is like to that which I have put forward to
11 this Commission. Of course, the cities of
12 Montreal and Quebec through their representatives
13 have also supported these proposals and by their
14 situation are no doubt in a position to be better
15 acquainted than most with the realities of the
16 situation. Now, I said in this city six months
17 ago that all we sought was reasonable protection
18 of the laws and in putting forward our position
19 I do not consider, with respect Mr. Chairman, that
20 I am in the position of a party plaintiff and no
21 doubt we stand as well as any other party and
22 do not have to have our evidence and submissions
23 weighed with any particular burden upon us.

24
25 In addition to all the statistical and
26 financial data which has been given to the
27 Commission and upon which it might formulate
28 a basis of policy there is further to be
29 considered that this question cannot be decided
30 upon facts and figures alone, there must be,



1 I submit, a question of policy. Surely the history
2 of this Dominion is one of transportation, it has
3 been a national matter from Confederation to the
4 entry into it of British Columbia and what are
5 now the western provinces and I think it is safe
6 for me to say that in that struggle to erect what
7 has become a strong British North American community
8 the problem of railroad and canal building was
9 first and foremost in the minds of those who directed
10 the political destinies of that time. It is only,
11 I submit, the far-sighted policies which have given
12 us canals and inter-connecting channels which has
13 enabled the western provinces to become a mass
14 marketer of any product whatsoever. Heretofore
15 they have enjoyed prompt service with reasonable
16 and low-cost rates by reason of the investment of
17 the people that I represent and their predecessors.
18 Without that development and the specialized
19 techniques of navigation on the Great Lakes which
20 are not inconsiderable, they would not be in a
21 position to competitively market the larger
22 portion of their grain.

23 In making out our case, Mr. Chairman, we
24 have successively led evidence or opinion, if
25 you wish, from leading figures in the industry,
26 from chartered accountants and recognized
27 qualified naval architects, all of which was
28 designed to show not only the present position
29 of this industry but the reality of competition.
30



1 This evidence clearly shows, firstly, the size
2 and volume of the industry which is not one for
3 the carriage of grain only, one having an invest-
4 ment of about \$200 million in floating equipment,
5 having some \$270,000 carrying products together
6 with the counterpart in the United States of about
7 200 million tons per year. I believe a great
8 deal of the discussion before this Commission has
9 centered on grain, that is to say, that part of
10 it controlled by the Wheat Board, it has ignored
11 the very large quantities of other products which
12 are carried. In one year, 1954, 50 million tons
13 of bituminous coal were carried by the combined
14 fleets; 281,000 tons of anthracite and 27 million
15 tons of limestone. Now, the importance of these
16 cargoes is best seen by evidence given to the
17 Commission at Midland by the Executive Vice-
18 President of the Algoma Steel Corporation which,
19 I think it is safe for me to say, is the largest
20 single shipper and consignee of goods on the
21 Great Lakes on the Canadian side of the border
22 exclusive of the Wheat Board.

23 Now, recorded in volume 14 at pages
24 4415, 4419, 4424 and 4425 are some of the
25 following statistics; in 1955 that company
26 received or shipped over 5-1/2 million tons
27 out of which 1,600,000 were coal, 250,000
28 pig iron, 160,000 tons of steel and 6 million
29 gallons of coal chemicals. The reasons for the
30



1 company's interest in shipping were very clearly
2 expressed by Mr. Holbrook and in saying that he
3 needed 645 vessel cargoes a year he also pointed
4 out that despite the fact that a great deal of
5 their transportation passed to and from to the
6 United States, yet, without a strong Canadian fleet
7 having a large share of the business they could
8 not look after or accept the kind and type of
9 tonnage which served their interest. All of that
10 evidence, I submit, goes to show that the
11 Canadian Great Lakes fleet is an essential part
12 of the transportation industry of this country, a
13 country which has always shown the most acute
14 sensitivity to transportation problems and which
15 I submit on historical grounds alone is probably
16 the reason for the strength and progress of the
17 present Dominion.

18 The 1931 Merchant Shipping Agreement benefits
19 no one but the United Kingdom. The Exhibit 116
20 of the British Consul of Shipping and the
21 appendices thereto clearly shows that the amount
22 of coastal shipping engaged in by foreigners on
23 the United Kingdom coast is extremely small.
24 Now, once again referring back to the reality
25 of competition, we have led opinion from leading
26 men of the industry, Captain Misener, Mr. McLagan,
27 Captain Baxter, Mr. Lowery, Mr. McEwen and all
28 of what they had to say was supported by others,
29 Mr. Rees of Furness Withy who is a leading figure
30



1 in the industry and a director of one of the
2 largest shipping organizations in the world has
3 stated clearly at the Newfoundland hearings,
4 Volume 2(B), page 890, firstly, that his coastal
5 vessels were paid slightly above the English
6 level with no difficulty and that they were on
7 two-year Article. As to costs, that a Canadian
8 ship must necessarily cost more and that there
9 was a different problem in the Great Lakes, page
10 892, line 1. Mr. Tregenza who operates chartered
11 vessels in the Great Lakes - Newfoundland service
12 stated that they were paid on a British scale and
13 that some of the vessels occasionally worked in
14 the winter on this coast and that one of the vessels
15 was on a ten-year charter, pages 949 and 957.
16 Mr. McLanders, an executive of Dominion Coal and
17 Steel stated clearly that in the operation of
18 his own Canadian ships, they were severely
19 handicapped by the freezing of the St. Lawrence
20 River and their non-competitive position with
21 the other ocean vessels and, therefore, they
22 were constrained to rely upon chartered tonnage
23 because it had profitable employment in the
24 winter with which Canadian vessels could not
25 compete.

26 However, he gave evidence as to the cost
27 of operating vessels and the per ton cost of
28 building them in both countries at pages 1099
29 and 1127. He further agreed with me that the
30



1 Great Lakes fleet should not be put out of business.
2 Now that the opinions of all those gentlemen are
3 supported by facts and figures, I might as well
4 repeat that they are all versed in shipping
5 problems, they are all shipping men. They are
6 supported, I submit, by Exhibits 171 and 172 of
7 Saguenay Terminals which clearly go to show the
8 relative costs of operating vessels under both
9 flags and most particularly the work done by
10 Canadian Steamship Lines, a leading member of
11 this association, though with but one vote as the
12 others, clearly demonstrates the relative
13 competitive basis of the parties and I submit that
14 if one considers some of the Manitoba figures in
15 their proper light, a matter to which I will later
16 come, that it must be accepted that there is a
17 reality of competition.

18 And now, in Winnipeg when Doctors Mayer
19 and Soloman appeared conjointly I directed to
20 them the question as to whether they had con-
21 sidered this in their calculations and that is
22 the statement made in brief 25, page 4, the
23 British Consul to the Shipbuilding Conference:

24 "It would appear that with the
25 "completion of the deep waterway, there
26 "will be an important change in the type
27 "of ship that will be used in the trade
28 "of the St. Lawrence. It is anticipated
29 "that a demand will develop for specially
30



1 "designed large bulk carriers suitable for
2 "year round trading, for example, to trans-
3 "port grain from the head of the Lakes to
4 "the lower St. Lawrence ports, returning
5 "westbound with ore from Seven Islands; and
6 "also adapted for other trades outside the
7 "St. Lawrence during the winter months."

8 "For building of ships of these types,
9 "the shipyards of the United Kingdom are most
10 "adequately equipped and experienced."

11
12 Dr. Mayer's reply was to some extent that
13 this will probably occur but it is noticeable that
14 in Exhibit 187 which we now understand to be Dr.
15 Solomon's for which I think No. 43 was originally
16 reserved, no consideration whatsoever was given
17 to the so-called dual purpose or perhaps I should
18 say special purpose vessel. Since both Doctors
19 Mayer and Soloman came from the United States and
20 are attached to universities there, it seems to me
21 to be somewhat strange that they might not also
22 have produced some naval architects and others
23 from similar institutions in the same country.
24 However, nowhere in its figures does Manitoba
25 take into consideration the fact that complication
26 may ensue through any but the smallest and most
27 miserable vessel.

28 Now, Mr. Chairman, I submit with respect
29 that we have led acceptable evidence that upper
30 lakers of the normal design can cross the North



1 Atlantic ocean, it has been uncontradicted by
2 any expert testimony and I submit with respect it
3 should be accepted. Dual purpose vessels, as
4 shown in Exhibit 165 and, of course, delineated
5 in Exhibit 200, the use of which would out-balance
6 any argument that ordinary ocean tramps cannot
7 equal the bulk carrying capacities of upper Lake
8 vessels. However, they have, of course, open to
9 them the advantage of trading in the winter
10 months which we could not do with any profit
11 without changing crews.

12 And now, some parties have said, my friend
13 Mr. Fisher and others, that the United Kingdom
14 could not possibly find the men, ships and money,
15 I suppose, to get into this business. And now, I
16 wonder if any of them take into consideration
17 Exhibit 116 from the general consul of British
18 Shipping replies to the Commission -- I am sorry,
19 to a question you, Mr. Chairman, had directed
20 to them, and I think it is very plain where they
21 say they could usefully participate in the following
22 trades, page 6:

24 "Coal	- Sydney N.S. to St. Lawrence 25 River ports.
26 "Iron Ore	- Seven Islands to Great Lakes ports; Wabana to Sydney, N.S.
27 "Titanium Ore	- Havre St. Pierre to Sorel.
28 "Gypsum	- Nova Scotia ports to St. 29 Lawrence River ports and into 30 Great Lakes



- 1 "Newsprint
2 "and/or Pulp-
3 "wood - Newfoundland, Nova Scotia,
4 New Brunswick and Quebec to
5 St. Lawrence River and Great
6 Lakes ports.
7
8 "General
9 "Cargo - Newfoundland and St. Lawrence
10 ports to Great Lakes and vice-
11 versa.
12
13 "Grain - Until the Seaway is in
14 operation, it is difficult to
15 anticipate how the pattern of
16 this particular trade will
17 develop. It could take the
18 form of direct shipment from
19 the producing area through the
20 Seaway to Europe, or, on the
21 other hand, involve transship-
22 ment somewhere in the St.
23 Lawrence, the ships taking
24 part in this also participating
25 in the movement of iron ore
26 from Seven Islands back into
27 the Lakes."
28
29
30

16 Now, Mr. Chairman, I submit this is a well
17 considered submission and from it must be drawn
18 the inference that at least British shipping does
19 intend to compete in these trades despite what my
20 friend Mr. Fisher has brought forward in that
21 behalf.

22 Now, to make one reference again to
23 Exhibit 187 prepared by Dr. Soloman I would
24 note that they have taken the largest Upper
25 Laker although, of course, it is perfectly clear
26 that the large majority of the present fleet
27 is far from being in that class, an operating
28 figure of 250 days, I do not know from whence
29 it came, the figures I put forward in Exhibit 93
30



1 were clearly that the vessels had found 200 days
2 of operation in the past four years and for the
3 competition factor they selected a vessel of 250,000
4 bushels capacity. Now, without delving into the
5 mathematics, I might say that the second vessel I
6 have put forward in Exhibit 165 has a lower bushel
7 capacity at normal seaway draught at 500,000
8 bushels and we have taken a most conservative
9 estimate which exactly halves the figure put
10 forward in Exhibit 187 for carriage by the competitive
11 factor.

12
13 And, of course, it was the previous Manitoba
14 evidence given by Doctors Mayer and Soloman, from
15 what source I know not, that Great Lakes vessels
16 could not cross the ocean.

17 Now, speaking of the ordinary ocean tramp
18 vessel, the one that looks for business in various
19 ports of the world, it has always been our
20 position that they do pose a competitive factor,
21 not perhaps in times when large quantities of goods
22 are available to all, but in those times when
23 business is slack they can and will quote distress
24 rates which will be temporarily available to
25 them and Exhibit 7 and the graphs we put forward
26 therein coupled with the very illustrative graph
27 in 165 which was prepared at the request of
28 your counsel it clearly shows that their normal
29 rates not only are highly volatile, as described
30 by Dr. Soloman, but go far below our own except



1 at the peak of the Korean war.

2 I realize, Mr. Chairman, and gentlemen,
3 that the task which confronts you is no easy one
4 since it requires in some degree an estimation
5 of the future, but I think it is safe for me to
6 say that man differs from the lesser creatures
7 in being able to use his imagination and we have
8 tried in what material we have put forward to
9 project in some sense the pattern of the future.

10 And now, to take some of these considerations
11 you, Mr. Chairman, once used the expression in
12 Regina that there was no use shutting the barn
13 door after the horse is gone. Now, it has been
14 agreed by all that a large proportion of the tonnage
15 of the Great Lakes is obsolescent and I believe
16 Mr. Lowery gave a figure of 771,000 dead weight
17 tons as being a probable amount of new building
18 in the next 10 years for obsolescent tonnage to
19 be retired but taking in the usual figures of
20 calculation that would require a capitalization
21 of well over \$200 million. I say this, that if
22 those I represent are not to have some climate
23 favourable to investment where are they to get
24 this money. It is easy for Mr. Shepard to
25 take the largest and most diverse company on
26 the Great Lakes and give to this Royal Commission
27 quotations of its shares but if you would care
28 to look at some of the other companies listed
29 in Exhibit 7 you will find they are far far
30



1 from that strength and size. We have not asked
2 for any government aid, we propose to continue
3 this business if we are allowed to do it in, as
4 I say, an atmosphere where some investment
5 may be forthcoming.
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(page 5680 follows)



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1 MR. GERITY (continuing): Now, with refer-
2 ence to my second submission, the entry into
3 treaty relations with the United States, I have
4 put that forward for this reason, that we have
5 had in the last few years a development of iron
6 ore deposits in the Ungava region and that, of
7 course, is probably partly the reason why the
8 United States, after boggling for many years,
9 suddenly decided to come into the St. Lawrence
10 business.

11 Dr. Hope suggested at one time we may carry
12 grain at cost as a public service and then get
13 the odd dollar by bringing some ore up from Seven
14 Islands, but what he neglected to observe, as
15 did my friend Mr. Frawley from Alberta, is that
16 we have no means of getting that trade. It is
17 not within our coasting laws because of the bulk
18 of it goes to American ports, and if that trade
19 is developed, and if we are to get a share of
20 it, which in turn means a better rate for grain
21 products since it gives us a more diverse and
22 two-way business, we cannot have it unless we can
23 get some measure of protection for it, because
24 we have no control over it.

25 Now, as I pointed out in my brief 28,
26 which I do not propose to repeat, Mr. Chairman,
27 that the two countries should enter into such
28 relations has every historical precedent.

29 Now, as to the grain trade, and once
30 again, Mr. Chairman, all of the discussion has



1 centered on wheat and nothing has been said about
2 any of the other grains which are carried at
3 varying prices at varying times. It has been
4 freely said there will be a lesser rate for grain,
5 but what it will be will be dependent entirely on
6 two factors; the tolls to be asked on the St.
7 Lawrence Seaway, and our prospects of obtaining
8 return cargoes up the Great Lakes. With these
9 two things, I submit that we will be able to offer
10 the best advantage, the most reasonable and re-
11 liable service to these people whom this fleet
12 has served for a great many years.

13 Now, those who are against us in this matter,
14 principally the agriculture interests, whether
15 represented by groups or Governments, have used
16 expressions ranging from "forces of competition",
17 "dynamic markets", but what are those bodies?
18 Their greatest product is marketed by a Government
19 agency. They are given from time to time aid
20 and assistance for their products of butter,
21 potatoes, apples, cheese, hog products, although
22 there is no particular national policy and, of
23 course, some interests, in Regina and other
24 places, made lots of allegations about combines,
25 and in each case, of course, Mr. Chairman, you
26 have properly directed them to the right address,
27 and I may say that if they camp on the doorstep
28 to go on a hunger strike they may as well re-
29 serve some space in the cemetery.

30 Naturally, of course, such statements



1 gain publicity.

2 Now, Mr. Chairman, as to the future trade;
3 the Atlantic Provinces seem to be in accord that
4 this particular area of the Great Lakes is a
5 separate problem. As to British Columbia, what
6 happier position could they have? The Attorney-
7 General of that Province naturally has put forward
8 the most happy statement that there is no serious
9 competition in the coasting trade, and that the
10 Federal Government should assist shipbuilders.
11 However, we are not concerned with the trade of
12 British Columbia, nor are we concerned with the
13 intercoastal trade between the East and West Coasts,
14 whatever may be its extent.

15 From time to time the Government of Manitoba
16 and others have sought to show that there was no
17 reality to the competition, that British ships
18 could not compete. Why, then, do they ask for
19 what they do, or why do they oppose reservation
20 of the trade? They are free enough to ask for
21 every assistance on their own behalf. Various
22 Western interests have agreed that the Lakes
23 fleet has well-served their purpose and the Winni-
24 peg Chamber of Commerce in its submission and
25 Dr. Mayer had these remarks to say concerning it.
26 Dr. Mayer, in Volume 5, page 1768, said:

27 "There are, however, certain other
28 "qualifications that must be introduced.
29 "There is a consideration firstly of
30 "dependability of service.



1 "It is true that shippers are inter-
2 "ested not only in the minimum costs but
3 "they are interested in having a vessel
4 "available for them when they need it and
5 "when they want it; to rely upon these
6 "vessels at all times to carry their pro-
7 "ducts to and from the places where they
8 "are used".

9 The Winnipeg Chamber had this to say and,
10 of course, these are people well-versed in the
11 business. I am sorry, Mr. Chairman, it is
12 Volume 8, page 2658:

13 "Low rates without continuity of
14 "adequate service would be detrimental to
15 "the Canadian economy",

16 and

17 "a vigorous Lake fleet is our best assur-
18 "ance of continuous service".

19 Now, there was a thesis put forward by
20 Doctors Mayer and Solomon that the rising level
21 of economy, whatever that means, would benefit
22 all, and I submitted to Dr. Solomon for his con-
23 sideration that only a very large increase in
24 population of the Western Provinces could pos-
25 sibly increase the general trade westward, and
26 he countered by saying that of course the buying
27 power would do the same. Well, from whence
28 the buying power?

29 As far as I know, the Royal Commission
30 on Economic Prospects was told by the Government



1 of Alberta that there was no great expectation of
2 population increase in the next five years. I
3 do not remember the precise figure, but if given
4 time, my friend, Mr. Frawley, could supply it.

5 I say again, sir, that grain is not the
6 only freight on the Lakes, and that the freight
7 rates which are given for that particular product
8 are dependent on the wide use of the service and
9 on the carriage of other products, namely, iron
10 ore, sulphur and pulpwood; although the Western
11 interests have ignored all of these factors.

12 The Alberta submission, I submit, has but
13 little to do with grain perhaps since my under-
14 standing is that the majority of their grain goes
15 to Vancouver, but my friend, Mr. Frawley, said
16 that of course the package freight trade was what
17 they were interested in. Well, Mr. Chairman,
18 I submit that without a large population increase
19 or buying power increase that the package freight
20 trade westward will remain in exactly the same
21 proportions as it does today, whether we build
22 the Seaway or not, and the C.S.L. Exhibit 183
23 shows that 16 to 12.5 of the goods handled is
24 of import and export origin.

25 My clients are perfectly satisfied with
26 the present provisions of the Transport Act,
27 and as Mr. McLagan told you in Montreal the only
28 advantage that foreign ships or others would
29 have over us on the Great Lakes package freight
30 trade is a floating one. Investment in



1 terminals, stevedoring facilities and the like is
2 an extremely high one. For that reason I do
3 not meet the arguments of my friends, Messrs.
4 Wright and Cote. We are satisfied with the
5 Transport Act.

6 I would again refer, Mr. Chairman, to this
7 copy of the Economist which has one article, I
8 think, that will fairly well show the general
9 development of the trade when the Seaway is through.
10 It is not of any great interest to my clients, but
11 the fact of the matter is that trade to and from
12 ports has always been dependent upon concentration
13 of population in the hinterland. Most of the
14 world's greatest ports or a large number of them
15 are entirely man-made and were so made because
16 they fed large industrial areas. Therefore, even
17 as Dr. Mayer admitted:

18 "It is the area somewhere on a line between
19 "Toronto and Chicago that will benefit
20 "from the import and export trade in my
21 "own opinion".

22 We have pointed out, Mr. Chairman, that
23 we have submitted all the evidence that we can
24 find as to the reality of competition by both
25 special-purpose vessels and casual tonnage,
26 that the freight rates on grain, which the par-
27 ties seem to be interested in, will be reduced,
28 and if return cargoes are in prospect, might even
29 reach the acme or nadier that Dr. Hope would
30 wish.



1 The uncontradicted evidence by experts as
2 to the fact that ordinary Upper Lakers can be
3 brought across the ocean, I submit again, with
4 respect, Mr. Chairman, that it must be accepted.

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15 (page 5687 follows)
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1 We have heard a great deal of expression of
2 opinion as to United Kingdom vessels paying other
3 wages. I am not proposing to give any evidence,
4 Mr. Chairman, but merely to say that no one has
5 brought forward any evidence to contradict the
6 statements of the three gentlemen to whom I have
7 referred. Now, to say that there is competition
8 already --

9
10 THE CHAIRMAN: They all deal with cases of
11 operation in Canadian waters only during the
12 navigation season and elsewhere afterwards.

13 MR. GERITY: Mr. Chairman, with respect,
14 I submit that the Red Cross Line is permanently
15 on the east coast of Canada and I think Mr. Tregenza
16 said -- I know his solicitor is here who can check
17 me, that one of his vessels will trade to Providence
18 or some other place in Rhode Island during the
19 winter months and I submit, further, Mr. Chairman,
20 that it is quite easy---

21 THE CHAIRMAN: From where?

22 MR. GERITY: From Newfoundland, Mr. Chairman,
23 and I submit it has been the practice for many
24 years for United Kingdom operators to sign on
25 crews on two-year articles.

26 I had hoped to have here this afternoon some
27 copies of "Fairplay" giving information, which I
28 will submit tomorrow, presuming they arrive and
29 that shows there is a large air charter market in
30



1 London, which is the Baltic Exchange, which
2 exists for no other reason than to fly crews to
3 various parts of the world.

4 That ships are already competing is evidence
5 by the fact two vessels with a combined capacity
6 of 26,700 tons, the Walton and the Avon Adventure
7 are already carrying iron ore from Seven Islands
8 to Contrecoeur.

9 This trade, I submit, Mr. Chairman, will
10 inevitably fall to foreign ships unless it be
11 protected and I am further persuaded if that happens
12 the United States government will subsidize such
13 an essential industry following their normal usual
14 policy of giving away thousands of millions a
15 year.

16 It has been said that the United States
17 policy of closing the coasting trade has resulted
18 in a diminution of the industry. Whatever it may
19 have done on the East and West coast I submit,
20 with respect to the Commission it has done nothing
21 of the kind on the Great Lakes and is quite
22 unlikely to do so.

23 From time to time various bodies of
24 large users of the resources of this country
25 have made submissions that are generally against
26 my proposals. I would merely repeat what one
27 gentleman said to this Commission in Vancouver
28 that if they derive their wealth from the
29 natural resources of this country they should
30



1 be prepared to share it with the rest of the
2 citizens and furthermore the Aluminum Company, as
3 far as I know, has no competition in this country
4 but is protected by tariffs on practically every
5 item. Saguenay Terminals is merely its creature
6 which exists for no purpose but to bring Bauxite
7 and in carrying that captive product is, of course,
8 able to compete with anybody in the route southward
9 to Demerara; so also with Alcoa out of New York,
10 a company not unlike.

11 As to the Canadian Ship Owners Association
12 and the Canadian Confederation of Shipping I say
13 nothing. Their ships are all practically under
14 the British flag and their interest obvious.

15 Now, finally, Mr. Chairman, I am almost
16 through, in this country if your essential links
17 of inland transportation industry passed to
18 other hands -- that is the problem -- if that
19 does so happen will it necessarily result in the
20 happy answers which the agricultural interests
21 have put forward. Is it not sufficient to say
22 that any event such as the Korean war would take
23 tonnage so quickly that the freight rates will
24 very quickly go up and furthermore they will
25 have to spend their time scanning the freight
26 market and making bookings in December when
27 the tonnage, of course, cannot get in here but
28 quotes highest prices.

29 Our rates have remained even over the years
30



1 as was clearly shown in Exhibit 7. I wonder if
2 the spokesmen for the farmers really believe that
3 the threatening of this great industry investment
4 is in their best interests. We most certainly
5 wish the farmers well and that they get the best
6 possible price for their products. I think it is
7 safe for me to say that the marketing through the
8 East Coast ports is only possible because of this
9 fleet which they so happily wish to put into the
10 ashcan.

11 COMMISSIONER WICKWIRE: I think they argue
12 that you are not threatened but that you will have
13 to sharpen your pencils. I think that is the
14 substance of their argument.

15 MR. GERITY: Mr. Commissioner, that is indeed
16 the substance of their argument but why have they
17 chosen the smallest possible vessel to point
18 out their remarks combined with the largest Upper
19 Laker. It was last August that this Commission
20 sat in Manitoba and the questions directed to
21 Dr. Mayer and Dr. Soloman at that time must have
22 been in their minds ever since. We introduced
23 evidence --.

24 COMMISSIONER WICKWIRE: I do not know why
25 they have not come forward with it but the first
26 time I had heard about composite vessels was
27 either in Quebec or Montreal which was some months
28 later. That is the first I heard of it.

29 MR. GERITY: Well, sir, it is in the record,
30



1 and I read that extract from Brief 25 to Dr. Mayer
2 in Winnipeg and he made a reply to it.

3 COMMISSIONER WICKWIRE: On the composite
4 vessel?

5 MR. GERITY: The very piece out of the
6 British Submission, sir.

7 COMMISSIONER WICKWIRE: It may be.

8 MR. GERITY: I think, if I am not wrong
9 that on the 14th of July I said to the Chairman I
10 will bring forward naval architects at a later
11 time.

12 Furthermore, when one considers all the
13 government assistance that is given to the
14 farming communities like being the number one
15 item on the Speech from the Throne; is it fair
16 to say they should direct this possibly towards
17 another segment of the country.

18 THE CHAIRMAN: Have you heard of it yet?

19 MR. GERITY: According to the news, Mr.
20 the
21 Chairman, it is said to be either/number one
22 or number two item.

23 MR. MUNDELL: I wonder if we can admit
24 evidence which has not yet happened.

25 THE CHAIRMAN: I was going to say evidence
26 has reached a new zenith.

27 MR. MUNDELL: I am sorry, Mr. Chairman,
28 it
29 I just happened to notice/in the paper this
30 morning.

There is one other thing I might mention.



1 I mentioned it before and in Winnipeg that the
2 United States does not allow any vessels other
3 than Canadian to pass through the locks at the
4 Soo and the Canadian locks are too small to take
5 anything but very tiny vessels or the light
6 medium sized vessel upbound.

7 Mr. Chairman, that concludes, save for one
8 thing, the case for my clients and as I said at
9 opening it is six months since I had the privilege
10 of addressing this Commission and I would like to
11 express my personal appreciation to yourself and
12 the Commissioners, your counsel and staff for the
13 great deal of courtesy and assistance afforded
14 me through what must have at times been an
15 extremely boring proceeding. I thank you, sir.

16 THE CHAIRMAN: Thank you, Mr. Gerity.
17 We will adjourn until 10 o'clock tomorrow morning.

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19 ---The Commission adjourned at 4.45 P.M.
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ROYAL COMMISSION ON COASTING TRADE

VOLUME 17

PART E

Report of Ottawa sittings
commencing January 4, 1956.

ARGUMENT

January 10, 1956.

pp. 5693 to 5884





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TUESDAY, JANUARY 10, 1956.

---Upon resuming at 10.05 A.M.

THE CHAIRMAN: Yes, Mr. Mundell.

MR. MUNDELL: We propose the order of hearing as set out in the notice except for Dominion Marine Association which was heard yesterday.

THE CHAIRMAN: Yes. Canadian Shipping and Marine Engineering News.

ARGUMENT ON BEHALF OF THE CANADIAN
SHIPPING AND MARINE ENGINEERING NEWS.

---Mr. E. Axelson, appearing.

MR. AXELSON: I have requested this opportunity to appear again before the Commission primarily to clarify certain points with regard to our own position. Arguments with other representations have been or will be most ably undertaken by others with perhaps more specified interests in the outcome.

It seemed to me and to the management of my publication that there was some question in the minds of the Commissioners as to the substance and validity of some points raised in the submissions made on behalf of Canadian Shipping



1 and Marine Engineering News.

2 At your hearings in Toronto, the question
3 arose as to the basis for some of our conclusions.
4 Because my reply did not go as deeply into the
5 matter as perhaps it should, it could be inferred
6 from a reading of the transcript that those ob-
7 servations and conclusions had been formed
8 entirely on the basis of what I had been told and
9 were, therefore, a form of hearsay evidence to
10 which little weight might be attached.

11 I should like to correct that impression,
12 if it does exist. The prime function of a reporter
13 or an editor is to develop the story by collecting
14 all the information available on a given subject,
15 piecing it together, weighing, sifting and con-
16 densing it and then presenting it in perspective.
17 That is the principle on which I have, over the
18 years, gathered much of the information that
19 appeared in our brief and oral statement.

20 Certainly, many pieces of that information
21 were told to me by others. But I did not accept,
22 nor would I ask you to accept, a mere selection
23 of second hand reports. My sources were many
24 and varied, and not only have I been able to
25 check one against another, but I now submit that
26 our conclusions are in almost every respect sup-
27 ported by other evidence placed before the Com-
28 mission by others.

29 Facts that seemed unimportant or even
30



1 insignificant by themselves have thus emerged as
2 matters of national significance by the corroboration
3 of subsequent events.

4 Permit me to illustrate. Canadian Shipping
5 and Marine Engineering News has previously sug-
6 gested from information received that British
7 shipping and shipbuilding companies would be actively
8 interested in the possibilities for the increased
9 markets for British ships and shipping services,
10 which would be provided through the St. Lawrence
11 Seaway.

12 As editor of Canadian Shipping I do not sit
13 on the boards of British companies and not privy to
14 the results of their deliberations. Obviously I
15 was told that particular piece of information. Its
16 importance or even its validity therefore must
17 depend on who told me.

18 In this particular case, the informant was
19 one eminently qualified to voice the opinion.
20 He was the Rt. Hon. Mr. Harold Wilson, then presi-
21 dent of the British Board of Trade, and as such a
22 member of the British Cabinet. He made the remark
23 in the course of an interview I was privileged to
24 have with him. He went on to say that his country
25 could definitely be expected to take the appropriate
26 steps to exploit the possibilities opened by the
27 seaway.

28 Others were at the press conference, but
29 few of them realized the significance of his
30



1 remark, since the seaway at that time was far from
2 the certainty it is today. It was, in fact, only
3 as a result of that interview that we ourselves
4 began to pay closer attention to an aspect of the
5 seaway which until that time had been given little
6 consideration. However, the remark becomes even
7 more significant when it is weighed against cor-
8 roborating evidence of later events.

9 At this point I had intended to mention some
10 examples of the already steadily increasing partici-
11 pation in Great Lakes trading by U.K. shipping
12 operators. However, I had an opportunity to study
13 some of the evidence that has already been given
14 the Commission and I think it has been shown that
15 direct competition is already taking place, such as
16 in the Seven Islands iron ore trade, and I don't
17 think it is necessary for me to mention any further
18 examples, although I could. Although there is
19 ample additional evidence that the competition
20 we, and of course so many others, fear is no
21 longer the figment of imagination which certain
22 opponents of restrictions have sought to make
23 it out -- it's here, now, four years before the
24 seaway.

25 I hope it may prove sufficient to induce
26 your Commission, Mr. Chairman, to accept our
27 conclusions as having the same validity as you
28 would have accorded the original statements
29 from which they were drawn by us. And whether
30



1 or not your Commission finds that such statements
2 have a bearing on the case before it, I respect-
3 fully submit that our publication has shown
4 reasonable grounds for interpreting them in the
5 way that has been done. To us, they are un-
6 mistakable signs that overseas competition in
7 the Great Lakes trade is definitely planned and
8 that such competition is likely to encroach
9 seriously on our present domestic enterprises.
10 We concede that the latter development may not be
11 planned, but in the natural course of events it
12 is almost inevitable.

13 During my previous examination by the
14 Commission I also stated that before solutions
15 of subordinate problems are attempted, there should
16 be a national maritime policy formulated as an
17 overall guide, and that from that point of view
18 shipbuilding and ship operating were in our
19 opinion completely interdependent. To that, Mr.
20 Chairman, you replied, and I quote from the
21 transcript:
22

23 "So far as licensing of package
24 "freighters is concerned now, that surely
25 "has a policy and it is set out in statutes".

26 With respect, Sir, I think that the exchange
27 well illustrates that a policy limited to only
28 one phase of one part of the industries is not
29 sufficient for the purpose we have in mind --
30



1 that of creating a reasonable, long-lasting
2 stability in them all. When there is no incentive
3 for Canadian operators to maintain their fleets,
4 it will gradually become ever easier for overseas
5 competitors to prove both "necessity and convenience"
6 in obtaining licenses for new ships, especially
7 since a great part of Canadian Great Lakes vessels
8 are even now obsolete. And without restrictions,
9 those new ships will not be built in Canada, there-
10 by seriously reducing Canadian shipyards in both
11 numbers and quality.

12
13 May I suggest in this connection, Mr.
14 Chairman, that almost every brief submitted during
15 this enquiry, and almost all the pertinent evi-
16 dence offered in the public hearings, stress the
17 need for a truly national policy on all those
18 matters.

19 This country's defense requirements, its
20 geographical peculiarities as well as many
21 problems of an economic nature, both national and
22 international, in our opinion make it plainly
23 impossible to approach any isolated difficulty
24 arising from among those sources in an effective
25 and logical manner -- unless there is a national
26 policy.

27 There is an undeniable interdependence
28 among all branches of the marine industries
29 themselves. There is also a clearly visible
30 direct connection between them and a great number



1 of other industries. To what extent our agricultural
2 interests are affected may be taken from a recent
3 statement by the Rt. Hon. C.D. Howe, Minister of
4 Trade and Commerce, who said that one of the reasons
5 for Canada's record grain carry-over was the short-
6 age and high cost of ocean shipping. Although
7 the statement referred only to ocean shipping space,
8 I think there are two obvious conclusions to be
9 drawn from that statement which should be borne in
10 mind by this Commission -- first, that there would
11 be no shortage if Canadian-flag, Canadian-controlled
12 shipping space was available. And secondly, that
13 a lack of policy which in eight years has erased
14 more than one million tons of Canadian ocean tonnage
15 is just as likely to have the same eventual effect
16 on our coasting and inland tonnage -- perhaps with
17 even graver results. The essential conditions
18 which brought about the former -- that is, low-
19 cost competition and complete lack of normal pro-
20 tection or support for our own marine industries --
21 are present in much the same degree in both cases.
22 We again submit respectfully that practical
23 solutions to all the problems can only be reached
24 with the guidance of the suggested policy.
25 Briefs and statements before this Commission not
26 only show the need of one, but also provide ample
27 premises on which it could be established.
28

29 It is our opinion that in your Commission,
30 Mr. Chairman, Canada has an instrument which now is



1 eminently informed and qualified to provide the
2 basis for such a national maritime policy. It is
3 true, of course, that you will not have dealt with
4 the deep sea shipping aspect. But if, through your
5 findings, it is established that water transportation
6 problems are indeed all part of the same cloth,
7 although cut to fit different requirements in
8 different regions, then there is at least the
9 possibility that all the issues will be dealt with
10 on that basis. Perhaps that is even a probability --
11 because I will now conclude by drawing to your
12 attention another recent statement by another
13 Minister of the Crown, The Hon. George Marler.
14 He said that "efficient and economical means of
15 transport to forward Canada's primary products to
16 their destination, whether within Canada or beyond,
17 are one of the vital elements of the Canadian
18 economy". In that opinion I am safe to say we all
19 concur, but neither efficiency nor economy will
20 be gained unless our water transportation is planned
21 on a national basis and with adequate provisions
22 for many years to come, it cannot be done by
23 piecemeal, patchy measures which are, as in the
24 past, unrelated to our national needs.

25 THE CHAIRMAN: Thank you, Mr. Axelson.
26 Shipping Federation of Canada Incorporated.
27
28
29
30



1
2 ARGUMENT ON BEHALF OF THE SHIPPING
3 FEDERATION OF CANADA INCORPORATED.

4 ---Mr. Jean Brisset, Q.C., appearing.

5 THE CHAIRMAN: Yes, Mr. Brisset.

6 MR. BRISSET: Mr. Chairman, Mr. Commissioners,
7 I again appear for the Shipping Federation of
8 Canada, and have tried to make my presentation or
9 restatement of the Federation's case as argumentative
10 as possible as I think that that is what it should
11 be at this stage. In doing so I will speak primarily
12 for that segment of the Federation's membership
13 which is made up of British and Canadian owners
14 and operators engaged principally in the inter-
15 national trade of Canada, and to a lesser extent
16 in Canada's coasting trade using ships that are
17 registered and/or built in the United Kingdom and
18 either Canadian or British owned. What I want
19 to demonstrate to you is the interest of the
20 Federation's membership in the preservation of
21 the eligibility of British ships, Canadian or
22 British owned, but present in Canada's coastal
23 trade, subject of course to the Transport Act
24 restrictions, which interest stems from the
25 intimate relationship and interlocking aspects
26 of Canada's coastal trade and Canada's inter-
27 national trade which in the opinion of the
28 Federation will become even closer once the
29 Great Lakes are open to ocean ships of deeper
30 draughts.



1 Canada, because of its peculiar geographical
2 formation, will then render accessible to ocean
3 ships, which I would say are the cheapest means
4 of transportation, in addition to thousands of miles
5 of its sea coast, thousands of miles of inland
6 waters along the shores of which grow and are
7 growing its most important industrial centers.
8 Today goods moving in the coasting trade are
9 destined for either domestic or foreign markets,
10 in the latter case the United States or overseas.
11 The main purpose of the seaway, as we understand
12 it, is primarily to open the sea lanes leading to
13 the center of Canada and the United States to
14 international traffic by removing the present barriers.
15 I am speaking of the Prescott/Montreal bottleneck,
16 and if I am challenged on that I will say that the
17 seaway should benefit equally both the inter-
18 national and domestic traffic. The Federation's
19 membership as a whole has never been very active
20 in the Canadian coastal trade, as already demon-
21 strated by the low percentage of its participation
22 therein during past years, although one should
23 not ignore the valuable contribution of companies
24 engaged in deep sea coasting, for instance, on
25 the Atlantic coast and to and from Newfoundland.
26 However, it would be fallacious to conclude, as
27 was intimated by counsel at the hearings and
28 also by the members of the Commission during
29 the cross-examination of Mr. Boyle, the present
30



1 president of the Federation, that as a consequence
2 the Federation's membership has no real interest
3 to oppose further restrictions on the Canadian
4 coasting trade. The reason for that is that in
5 the Federation's opinion no measures should be
6 resorted to which would prevent Canada's inter-
7 national traffic, in which the members of the
8 Federation are vitally interested and which can
9 only increase in keeping pace with Canada's
10 growth, from being moved at rates which will
11 enable the Canadian merchant to take full advantage
12 of the lower costs of transportation which the
13 opening of the seaway is intended to bring about,
14 and thereby to compete more advantageously on
15 foreign markets. I think the motive is quite
16 apparent, for the more Canada's international
17 trade grows the more goods will the ships of the
18 Federation carry, as all will benefit from the
19 stimulus to Canada's international trade and
20 all will suffer from any check in its development.
21 Until such time as Canada has developed to such
22 an extent that it is able to support its own
23 mercantile fleet -- and I am referring here
24 to ships built, registered and owned in Canada
25 and employed in the international trade -- so
26 as to enable its fleet to compete successfully
27 with those of the other maritime nations of
28 the world Canada would have to rely in a major
29 proportion on the services of ships some of
30



1 them built and owned in Canada, if you wish, but
2 registered in the United Kingdom, or built in
3 the United Kingdom and registered and owned in
4 Canada, or other truly British ships, that is,
5 ships owned, built and registered in the United
6 Kingdom, or foreign ships. In other words, they
7 would have to rely on the ships operated by the
8 Federation's members which at present, if you
9 will exclude traffic going to the United States,
10 move more than 65 per cent of Canada's whole
11 international traffic and practically 100 per cent
12 of that moving from eastern Canadian ports.

13 On the subject of truly British ships, I
14 would like to take this opportunity to set the
15 Commission's mind at rest on one point which was
16 the subject of a discussion during the hearings
17 last week, and I mean by that the subject of
18 lascars and Asiatic seamen employed on board
19 British ships. During the hearing at Montreal
20 I supplied to the Commission information obtained
21 from the Chamber of Shipping of the United
22 Kingdom and the Registrar General of Shipping
23 and Seamen, and that information you will
24 find at page 3786 of the transcript, and it
25 is to the effect that only 23 per cent of the
26 total personnel serving in British ships fall
27 within that category, and that the chief point
28 about their employment is not because the
29 owners are saving moneys in employing them,
30



1 but because they are eminently suitable for the
2 particular trades for which they are employed
3 either in or through the tropics. Very few of
4 these crews come to Canada, and when they do
5 come they come generally aboard ships which are
6 normally employed in the tropics.

7 At no time, so far as I am aware, has it
8 even been suggested, leaving aside for the moment
9 the international trade on the Great Lakes from
10 Canada to the United States, that the Lake operators
11 have engaged or would engage to any extent in
12 international traffic. They have expressed fears
13 that what they call the dual purpose or composite
14 ship would compete with them on the Lakes, but
15 they never said they themselves would develop and
16 operate such a vessel for the movement of Canada's
17 international traffic. I think it is significant
18 to note that it is the operators of the Lake
19 vessels and railways who press for further re-
20 strictions -- qualified, I admit, in certain cases--
21 in the coasting trades of Canada, while the
22 carriers of Canada's international traffic are
23 averse to such further restrictions.

24 The members of the Federation operate
25 two types of vessel, two types of dry cargo vessel;
26 liners and tramps. Liners are, of course, ships
27 belonging to established shipping lines. Such
28 vessels normally engage on regular services be-
29 tween company's termini and follow recognized
30



1 routes. In normal times they keep to an advertised
2 sailing schedule whether or not commercial induce-
3 ment is offered. They are passenger, or both
4 passenger and cargo, or cargo. Tramps, on the other
5 hand, are ships that do not serve a particular
6 trade or follow a regular route. Tramps proceed
7 anywhere anytime where freight inducements offer.
8 The tramp is as necessary to shipping as a liner,
9 particularly in the movement of seasonal shipments
10 of bulk cargoes. However, in both liners and
11 tramps -- and this is still more true of the latter
12 and perhaps easier to comprehend -- freight induce-
13 ments are, of course, a primary factor in their
14 availability and the willingness of the owners to
15 carry the cargo offered.

16
17 I believe it has been amply demonstrated to
18 you that international traffic is highly competitive,
19 a fact which explains the constant fluctuations
20 of the market rates of freight in respect of
21 ocean shipping or international traffic. If
22 Canada, therefore, is to increase its international
23 trade, upon which as it grows it will be more and
24 more dependent, and still enjoy rates that will
25 make its exports competitive on foreign markets
26 it will be necessary to establish a proper
27 balance between the costs to the exporter of
28 moving its goods abroad, whether it be raw
29 materials like grain or lumber, or finished
30 products to remain competitive, and the rates



1 which the international sea carriers will consider
2 a sufficient inducement to move the cargoes offered
3 from Canada, particularly from the lake areas.

4 Now, to determine what rates will offer
5 the necessary inducement, and I have just mentioned
6 one of the elements which will be considered is,
7 of course, what is the rate of the freight in
8 relation to the costs of the particular voyage on
9 which the cargo will be moved; but that is not the
10 only factor. There are many others, and one which
11 is highly important in the complex mechanism used
12 to compute ocean rates is the cost to the
13 carrier of positioning his vessel to lift the cargo
14 offered. Allow me to give you an illustration,
15 and assume that a tramp vessel is coming from the
16 United Kingdom with a cargo destined to a Canadian
17 Atlantic or American port, and that the next
18 cargo offering is a shipment of grain, say, from
19 Montreal to the United Kingdom. If instead of
20 coming up in ballast to Montreal from the last
21 port of discharge, a voyage of possibly 1,000
22 miles or more, the vessel is able to pick up a
23 spot cargo, say, in Halifax, Sydney, Newfoundland,
24 Havre St. Pierre or Seven Islands, for discharge,
25 say, in Sorel, Three Rivers, Contrecoeur or
26 Montreal, you will readily understand that the
27 rate which the carrier will be able to quote on
28 the international cargo from Montreal to the
29 United Kingdom or Continent will be lower than
30



1 if he had to position his vessel by means of a
2 ballast voyage from the last port of discharge.
3 In the same way, a vessel coming from the Continent
4 with a cargo destined for the Lakes and able on the
5 return voyage to pick up a cargo in the Lakes for
6 discharge, say, in Newfoundland or Sydney or
7 Halifax, will be able to quote a lower rate for
8 the export overseas cargo picked up, say, on the
9 East coast.

10 Although it is difficult to attempt to
11 graph the pattern of both domestic and international
12 traffic which will develop after the opening of
13 the seaway, assuming that the coasting trade is
14 not further restricted, the Federation believes
15 that the more the Canadian exporter expands his
16 foreign market the more his overall production
17 will increase and create new demands for trans-
18 portation services which will also benefit lake
19 operators.

20 Increased production for exports from
21 industrial centers on the Lakes will furnish
22 Lake carriers with package freight cargoes, in
23 respect of which they are already protected,
24 to feed Lake lines, foreign and British, who
25 will still want to make Montreal their terminus,
26 thus offering them the inducement of full
27 cargoes without the necessity of going up the
28 Lakes.

29 It is envisaged that with the advent
30



1 of the seaway the port of Montreal will grow
2 immensely as a trans-shipment port in respect of
3 increased direct international shipments from and
4 to Lake ports. As the Commission well knows,
5 practical measures are being taken already to ad-
6 just the port of Montreal to these new conditions,
7 just as Toronto and other lake ports have extended
8 and are extending their facilities to take care
9 of direct traffic.

10
11 If, as certain interests have recommended,
12 the Canadian coastal trade is restricted to
13 Canadian ships, excluding British ships entirely --
14 and I refer here not only to truly British ships,
15 but also Canadian-owned and Canadian-built but
16 British registered ships, and I wish to remind
17 the Commission that more than 50 per cent of the
18 Federation's membership is made up of owners of
19 the kind of ships I have just described -- the
20 result will be these vessels will only be induced
21 to enter the Great Lakes to haul export cargoes
22 in the proportion of the amount of import cargo
23 they can bring into the Lakes; or, if the **rates**
24 on the outbound cargoes are high enough to com-
25 pensate the carrier for a ballast or partly
26 loaded voyage up the seaway, and vice versa,
27 in each case to the eventual detriment of the
28 Canadian economy -- and I may say here that
29 the further up the Lakes the ship has to travel
30 the lesser will become the inducement for the



1 carrier -- with the result that either Canada's
2 trade balance will not lean towards an export
3 surplus, or else -- and this is more likely --
4 so little inducement will be offered to deep sea
5 ships to make use of the seaway that they will
6 tend to make their termini at lower St. Lawrence
7 ports and certainly not above Montreal.

8 I repeat it is very difficult to predict
9 what will be the pattern of international traffic
10 over the seaway when it is open, but it is the
11 considered opinion of the Federation that should
12 the coastal trade be further restricted the pattern
13 will be such as to negate the advantages which
14 otherwise would have accrued from the seaway to
15 Canada's international trade in which, I repeat,
16 the members of the Federation are vitally in-
17 terested.

18 I hope that I have demonstrated what was
19 the real interest of the Federation in the
20 questions now before the Commission by putting
21 it in its proper perspective and within the
22 terms of the reference. It is felt that it is
23 also in the national interest that the coastal
24 laws be not further restricted because of the
25 adverse effect of such restrictions on the
26 growth of our overseas exports which even now
27 play a substantial if not a major role in the
28 gross national product. They may well be the
29 margin between prosperity and depression if
30



1 you recall that our exports are over one-fifth of
2 our income.

3 As the Rt. Hon. C.D. Howe said in his
4 address on May 25th, 1955, to the Canadian Manu-
5 facturers Association, entitled "Canada Trades
6 With the World: No other country has as much to
7 gain as this country from increased international
8 trade". Thank you.

9 THE CHAIRMAN: Canadian Shipbuilding and
10 Ship Repairing Association; Professor Jackson?
11

12
13
14
15 ARGUMENT ON BEHALF OF THE CANADIAN
16 SHIPBUILDING AND SHIP REPAIRING ASSOCIATION

17 ---Professor Gilbert Jackson, appearing.

18 PROF. JACKSON: Mr. Chairman and gentlemen,
19 the Commission have been listening for six months
20 with exemplary patience and courtesy to scores
21 of counsel and witnesses from St. John's, New-
22 foundland to Victoria most of whom took a some-
23 what dim view of the gentlemen on behalf of
24 whom I have the privilege of speaking this
25 morning. You have listened with the same patience
26 and courtesy to several days of argument by
27 some of the same people and to some forthright
28 statements that we represent a narrow, selfish,
29 sectional interest. I fear I may become tedious
30



1 and bore the Commission merely because I have
2 an enormous amount of ground to cover in order
3 to meet the more important of these criticisms
4 and arguments. In the nature of things I cannot
5 possibly hope to meet all of them, but I am going
6 to begin by craving your indulgence against the
7 time when I do seem somewhat tedious.

8 I remind the members of the Commission that
9 the coasting trade is already reserved in terms
10 of Part 13 of the Canada Shipping Act, 1934,
11 and the British Commonwealth Merchant Shipping
12 Agreement of 1931, and that the question on which
13 I now speak is whether this reservation should
14 be maintained as is, whether it should be relaxed
15 as some folk think who have come before the
16 Commission, or whether it should be made stricter.
17 In the first paragraph of our own brief, which is
18 number B-82, we said:

19 "We shall urge the members of the
20 "Commission to recommend in their report:

21 "(1) that from henceforth the

22 "coasting trade of Canada shall be

23 "reserved to ships registered in

24 "Canada;

25 "(II) that from January 1st, 1957

26 "(or some other convenient date in

27 "the near future), replacements of,

28 "and additions to Canada's coasting
29
30



1 "fleet shall be built without exception
2 "in Canadian shipyards.

3 "We believe that these are the minimal
4 "provisions by means of which our shipyards
5 "can be kept alive and efficient."

6 There is, of course, no desire on our part
7 to restrict anybody's opportunities in foreign
8 trade.

9 Now sir, there is a good deal of fact which
10 is beyond controversy which is agreed on all sides
11 by those who have appeared before the Commission,
12 and yet some of these facts are very frequently
13 forgotten in the heat of argument about some
14 particular question, and I am going, if I may,
15 to repeat a few of these very simple facts which
16 seem to me to be the background of all discussion
17 on this issue. What I am saying now is very,
18 very simple; these are truisms, almost.

19 First, I should like to remind the Commission
20 that there is a very rapid growth in prospect
21 for the Canadian economy and that unless we make
22 some fatal mistake or run into some unforeseeable
23 disaster the benefits of this very rapid growth
24 are going to be diffused very widely throughout
25 Canada. May I refer you, sir, to Table XII of
26 the Shipbuilders' brief which brings together
27 the statistics of vessels entered at Canadian
28 ports in foreign service and coasting service
29 and the statistics of the physical volume of
30



1 the gross national product, and it is to the latter
2 I want to refer at the moment. One afternoon I
3 took these statistics of physical volume of gross
4 national product and compared the very prosperous
5 period from 1926 to 1929 inclusive with the very
6 prosperous period from 1950 to 1953 inclusive
7 with a view to finding what has been in the recent
8 past the rate of growth in Canadian economy.

9 A convenient measure is to think in terms of the
10 length of the doubling period, the period within
11 which the Canadian economy has doubled the physical
12 volume of its output and consumption, and I found
13 that the doubling period in the past generation
14 has been very slightly more than 20 years; our
15 economy has been growing at the rate of 3.5 percent
16 per annum on an average; and these are figures
17 which I take for granted that the distinguished
18 economist of the Commission, Mr. Kemp, will himself
19 check. I took another comparison, the prosperous
20 period from 1946 to 1949 when we were beginning
21 to settle down after the war and the period from
22 1950 to 1953, and I found a rate of growth in
23 those years -- and here again I am talking about
24 physical volume and not in terms of dollars of
25 shrinking value -- I found a doubling period in
26 the physical volume of our output and consump-
27 tion at the rate of, once in slightly less than
28 15 years, a rate of increase of very little less
29 than 5 percent per annum. I took the population
30



1 figures for the respective periods, not deducting
2 the figures for Newfoundland, from 1949 onwards,
3 and in terms of dollars of constant value I found
4 an average income per head which has grown from
5 \$517 in the late twenties, in the period of pros-
6 perity, to \$731 in the first four-year period after
7 the war, to \$790 in the second. That, sir, is an
8 increase, so far as I know, not matched over any
9 comparable period of time in the growth of any
10 country as large as Canada. Nobody can prophesy
11 that this rate of growth will continue for another
12 generation or for the remainder of the century.
13 These figures are evidence that since the war the
14 rate of growth has been increased and has not
15 merely stood constant. I merely mention these
16 figures to rub in the fact that by comparison
17 with any country which might be put alongside us
18 we seem to face a period in which our economy
19 will grow rapidly.

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21
22 (Page 5720 follows)
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The volume of our business will grow rapidly and prosperity should be very widely diffused. Now, the deepening of the St. Lawrence canals, will facilitate this expansion and perhaps hasten the expansion. Two facilities have been mentioned by those before this Commission and notably by Mr. Gerity yesterday: The first is that shipping freight rates on the Great Lakes are certain to be reduced as a result of the deepening of the canals. We do not know by how much till the toll charges are settled, but there is no doubt that shipping freight rates on the Great Lakes are going to be less than they have been before, irrespective of what recommendations this Commission may make, and irrespective of what decisions the Government may come to thereafter.

I call attention to this also, as a result of the deepening of the canals and the much enlarged opportunities in foreign trade in the Great Lakes area which will result therefrom, Britain's dollar earnings from the carriage of goods in this part of the world will certainly be made larger, irrespective of whether the requests which we make to the Commission are going to be implemented or not. Here I am happy to find myself in agreement with Dr. Hope, some of whose opinions I do not share. You will remember when the Commission was sitting in Toronto Dr. Hope agreed forthrightly, under a certain amount



1 of questioning, I must confess, but he agreed
2 forthrightly with the conclusion that the result
3 of the deepening of the canals will give Britain
4 better and not poorer opportunity of earning
5 dollars.

6 I go on to say that much of what has been
7 said before the Commission of the cost of reser-
8 ving the coasting trade, if the coasting trade
9 is going to be reserved, is a will-o'-the-wisp.
10 We are talking about a service which will certainly
11 be cheapened so far as the Great Lakes are con-
12 cerned.

13 Now, these simple truths, I think serve as
14 a background for what anyone may say on the subject.
15 I shall have something to say later about shipping
16 freight rates in the salt water coasting trade.

17 Mr. Chairman, in the course of these ob-
18 servations, let me say one more thing, if I may.
19 Every decision of policy destroys some opportuni-
20 ties and some jobs, at the same time that it
21 creates other opportunities and other jobs. The
22 Commission will make its findings which will be
23 studied by the Government and carried out in
24 full or in part, and as a result of the findings
25 which you gentlemen are going to make, if these
26 findings are carried out you are going to des-
27 troy certain opportunities for employment as
28 well as create other opportunities for employ-
29 ment. It is impossible for you to make findings
30



1 as a result of which those who are not benefited
2 can at least be sure they will not be harmed.
3 I was in a bank on Water Street in St. John's
4 not very long after Confederation, where I met
5 a man who had been a customer of the bank who
6 did not look very happy. I said something vague
7 but sympathetic to him and he turned to me and
8 said, "Before Confederation I had a sure income
9 of \$15,000 a year, now, so far as I can tell,
10 I have no income at all". The people of New-
11 foundland, with great searchings of heart,
12 strong feelings on both sides of the question,
13 decided to come into Confederation. None
14 of us in this room doubts for a moment that the
15 decision was a beneficial one for Newfoundland.
16 We have put evidence before the Commission
17 which makes it plain that Newfoundland and its
18 population as a whole have benefited greatly
19 since that coming into Confederation, but it
20 cannot be denied that the decision to come into
21 Confederation gravely damaged certain individual
22 interests. Any decision which affects the
23 course of trade is bound to do so, and the Com-
24 mission is faced with the question of deciding
25 what is going to be for the greatest good of
26 the greatest number, with the inescapable know-
27 ledge that, as a result of any recommendation
28 it makes, some individuals' interests are bound
29 to be prejudiced.
30



1 It is perhaps the knowledge of that which has
2 led various sectional groups to appear before
3 this Commission with tender feelings for their
4 own interests, and to suggest that whatever broad
5 decisions of policy may be made, an exception
6 be made, too, in favour of the people whom they
7 may represent if these people could be harmed. I
8 quote only from the submissions of the last few
9 days; Mr. Teed, who virtually told the Commission,
10 "Reserve the coastal trade in the Great Lakes,
11 if you please, but not in our part of the world";
12 and my friend Mr. Lewis, from Newfoundland, who
13 virtually said that it is no concern of New-
14 foundland, what is done to reserve the coasting
15 trade in the Great Lakes.

16 Now, Mr. Chairman, we form a very small
17 element in the community, but we believe we stand
18 for a national need. In the course of your
19 wanderings you have doubtless heard evidence in
20 some small towns where the shipyard is the basis
21 of the life of the town, where the manager has
22 invested his life in the town and in the ship-
23 yard and where he has spoken somewhat wistfully
24 of the damage to the town which might be
25 done if, as a result of some decision by the
26 Government of Canada, this shipyard is closed
27 down in permanence. I think we may claim, so
28 far as sessions of the Commission are concerned
29 which have been held in the big cities, we have
30



1 taken no such attitude. We have not once pleaded
2 our own self-interest, we have said we stand for
3 a national need, we believe that whatever is done
4 should be done not only for Canada, but through
5 Canada as a whole. So far as we are concerned,
6 we do not request or countenance any local discrimi-
7 nation at all.

8 I will say one thing in regard to sectional
9 interest, however, which does affect the Canadian
10 shipbuilders; I will ask you to consider this.
11 Suppose the Commission recommends restriction of
12 the coasting trade, and suppose it were at the same
13 time to suggest to the Government that an exception
14 be made in the case of a certain section of Canada
15 in which there are shipyards, let us say for the
16 sake of illustration, that it recommends the
17 restriction of coasting trade, but it says it
18 thinks an exception can be made in the case of
19 British Columbia; there the restriction should
20 not apply.

21 Today, though, the British Columbian ship-
22 yards are in the highest wage area in Canada,
23 and in order to keep going are obliged to pay
24 the current rate of wages in their Province, they
25 do keep their end up against all the competition
26 encountered by them both from Canadian yards
27 elsewhere in districts where wages are not so
28 high and, so far, in respect of the competition
29 from abroad which they have had to meet. But,
30



1 let me ask you, Mr. Chairman, what would happen
2 if the coasting trade in the Great Lakes and St.
3 Lawrence were to be reserved so that the shipyards
4 in the Great Lakes and the St. Lawrence were
5 assured and given a substantial volume of business
6 thereafter, as a result of which they could develop
7 the maximum efficiency of which they are capable,
8 and at the same time the British Columbian shipyards
9 were left to pick up business as best they could,
10 but the B.C. coasting trade would not be res-
11 tricted?

12 I hope I need not elaborate the point with
13 the Commission that if a recommendation of that
14 kind were to make such an exception in the case of
15 a coast in which there are shipbuilding yards
16 today, going concerns, it would doom those yards
17 to extinction.

18 Now, Mr. Chairman, I have quoted what we
19 asked for in the first few paragraphs of our
20 brief. I have listened to a great deal of argu-
21 ment to the effect that if the Commission does
22 what we should like the Commission to do freight
23 rates will be raised in the coasting trade of
24 Canada. I should like now to recall to you
25 testimony which was given before this Commission
26 months ago and, having recalled this to you,
27 to suggest to you that if the Commission does
28 what we request it to do, what we request will not
29 raise anybody's freight charges in the present or,
30 if ever, it will not raise the freight charges in the



1 coasting trade of Canada for a long time to come.
2 Here I should like to quote from the testimony
3 given by Mr. Husband in Victoria, B.C., and I am
4 referring to Volume 6 of the transcript and to page
5 1973. Perhaps I may be allowed to read it? Mr.
6 Husband said, among other things:

7 "Opponents of restriction of the
8 "coastal trade have based their objections
9 "almost entirely on the premise that
10 "such a restriction will be followed immed-
11 "iately by a drastic upward revision of
12 "freight rates. This premise is possibly
13 "based on a misunderstanding. The res-
14 "triction that we are seeking would be on
15 "ships entering the coasting trade after
16 "a given date, say, maybe, January 1st,
17 "1957. It does not mean that as at that
18 "date all ships not built and registered
19 "in Canada would be driven from Canadian
20 "waters. We would expect that all Canadian-
21 "owned United Kingdom-registered vessels
22 "now in service would be allowed to con-
23 "tinue to ply our coastal waters. As
24 "the restriction began to take effect,
25 "obsolete tonnage would be replaced by
26 "Canadian-built tonnage, but this replace-
27 "ment would be a gradual process ex-
28 "tending over 5, 10, 20 or 30 years. In
29 "an expanding economy such as that in
30



1 "British Columbia at the present time,
2 "such a replacement programme might be
3 "effected over a long-range period with
4 "no substantial increase in freight charges".

5 Now, Mr. Chairman, basically, the threat
6 to the shipbuilding industry, if the coasting
7 trade is not restricted, comes out of the fact
8 that labour costs in Britain and elsewhere, but
9 in Britain particularly, are so very much lower
10 than they are in Canada. Here I should like to
11 direct your attention again to the Shipbuilders'
12 brief, B-82, and to Table 11, which is a compari-
13 son of the average rates of wage paid in ship-
14 building industries in Canada and the United
15 Kingdom. I shall not bother you with the details
16 of the figures which the Commission has already
17 read, I will merely repeat one sentence at the
18 conclusion of the Table, which says:

19 "Thus average weekly earnings of
20 "172/6 $\frac{1}{2}$ d. in England were the equivalent
21 of \$23.87 Canadian. Consequently in
22 "1953 the corresponding Canadian figure
23 "of \$62.53 was 162% higher than the
24 "English figure".

25 THE CHAIRMAN: May I interrupt you and
26 turn you back to your statement just completed,
27 that you did not expect any present increase
28 in freight rates in the coasting trade if what
29 you request is granted; have I quoted your
30



1 statement?

2 PROF. JACKSON: That substantially says
3 what I mean.

4 THE CHAIRMAN: The first request is:
5 "That from henceforth the coasting trade
6 "of Canada shall be reserved to ships regis-
7 "tered in Canada."

8 That would imply all ships carrying coal from
9 Sydney to Montreal would have to be registered
10 in Canada, would it not?

11 PROF. JACKSON: There was one thing which
12 I was going to add later because it seems to me
13 it comes in most appropriately in Newfoundland,
14 but I think I will bring it in now because it
15 belongs to the question you have just asked. We
16 listened with immense interest and immense respect
17 to the presentation of the Furness Lines in
18 this room two or three days ago, and apart from
19 that evidence, this declaration by Mr. Husband
20 which I note and which was given a long time
21 ago, I am instructed to say one more thing here,
22 which is that the Shipbuilders and Ship Repairing
23 Association is happy or would be happy to see
24 such an arrangement made as would leave U.K.
25 ships at present engaged in the Canadian coast-
26 ing trade with a right to remain in Canada's
27 coasting trade on British registry for the re-
28 mainder of their natural life, and only be re-
29 placed, as those ships are replaced, by vessels
30



1 built and registered in accordance with our request.

2 THE CHAIRMAN: That is a very consider-
3 able concession, but it still does not cover
4 the question because you refer to Furness Withy;
5 I was not referring to them at all, I was referring
6 to the various ships that are chartered by the
7 Dominion Steel and Coal to carry coal from Sydney
8 to Montreal and which are not liner ships at all
9 and which are not the same ships which did it
10 last year or will do it next year, and upon those
11 charter rates depend because of carrying coal to
12 the Montreal market and some of them also come up
13 to this city. Now, is it not apparently inevitable
14 that if there is any restriction of the registry
15 of ships which carry that trade, there must be
16 an increase in cost?

17 PROF. JACKSON: The question is a little
18 bit larger, sir, than a yes or no answer will
19 cover.

20 THE CHAIRMAN: You gave me a flat "no" a
21 moment ago, that is what I am referring to.

22 PROF. JACKSON: No, your question as to
23 whether this would necessarily raise the cost
24 of coal ---

25 THE CHAIRMAN: No, you raise your freight
26 rates. Will not the freight have to increase
27 for the carriage of that coal if it is carried
28 by Canadian ships rather than U.K. ships?

29 PROF. JACKSON: That may be the case, using
30



1 that question, I can answer forthrightly and I can
2 also say I have no present instructions that
3 specifically cover the ships on charter to which
4 you refer.

5 THE CHAIRMAN: Well, I pick one of the
6 lines, a similar situation, there are instances
7 in other cases, what about the carriage of aluminum
8 from the Saguenay? Whst about the carriage of
9 the Seven Islands ore at present to Contrecoeur,
10 that trade which is going on right now with
11 British-registered ships?

12 PROF. JACKSON: As to that, I can only
13 say two things ---

14 THE CHAIRMAN: I can add the Newfoundland
15 gypsum, the Newfoundland fluor-spar. On the East
16 Coast probably there are a dozen of those trades,
17 Prof. Jackson, and I cannot see how one single
18 one of them could be carried at the same rate
19 in Canadian-registered ships if all that you
20 say and Mr. Gerity's clients say as to the com-
21 parative cost of operation is even close to being
22 correct.

23 PROF. JACKSON: You mentioned Furness
24 Withy there because it was merely the presenta-
25 tion of Furness Withy which led me to ---

26 THE CHAIRMAN: I suggest it is quite
27 another question, it has supplied service to
28 the East Coast of Canada for 200 years, 80 in
29 one case and 125 in another, and that in itself
30



1 raises some very considerable questions. But,
2 I was referring not to any grandfather rights
3 but simply to your statement that the implementa-
4 tion of your request would not cause an increase
5 in rates. Now, if you confine that to the Great
6 Lakes I can understand it and agree with it, the
7 question is whether it would not prevent a sufficient
8 decrease there, but this way I can see no solution
9 except it will cause an increase in rates and a
10 very considerable increase.

11 PROF. JACKSON: I am somewhat lame. Not
12 being a principal I cannot go outside my instruc-
13 tions. I quote my instructions and leave the
14 Commission in its wisdom to decide what should be
15 done. A British-registered ship which is in the
16 coasting trade of Canada has a vested interest in
17 the coasting trade of Canada which we think should
18 be recognized.

19 THE CHAIRMAN: One that was in the coasting
20 trade of Canada during the 1955 season, or does
21 it have to be from 1950 to 1955?

22 PROF. JACKSON: Well now, Mr. Chairman,
23 if that question must be answered, I think I must
24 ask the Chairman of the Shipbuilders' Association
25 at this point to answer it. May I do that?

26 THE CHAIRMAN: Yes, you may.

27 MR. McLAGAN: Mr. Chairman, the Associa-
28 tion feels that those who have been in the
29 business with ships and if coastal trade is res-
30



1 tricted, that those ships should be allowed to
2 remain, but when new ships come on to the trade
3 they should be built in this country.

4 THE CHAIRMAN: Well, there was a ship
5 carrying coal during the 1952 season; during the
6 1953, 1954 and 1955 seasons, that ship was in trade
7 between Amsterdam and the East Indies. It is
8 proposed to have that ship return in 1956 season
9 to carry coal. My example is altogether imaginary,
10 I am not in the councils of the Dominion Steel
11 and Coal Company; is that going to be entitled
12 to continue?

13 MR. McLAGAN: I think coal is a special
14 trade from Sydney to Montreal, is it not, subsi-
15 dized? I think if you and I subsidized the
16 Canadian ships as well as the British ships it would
17 be no change.

18 THE CHAIRMAN: Let us take gypsum or fluor-
19 spar.

20 MR. McLAGAN: I know nothing about trade,
21 I cannot speak authoritatively on it, but we do
22 not think that hardship should be brought about
23 upon people who are legitimately trading but
24 when new ships come on they should be built in
25 this country.

26 THE CHAIRMAN: I am not speaking of the
27 hardship on the shipping company, I am quite un-
28 interested, to be perfectly frank, of hardship
29 on a shipping company; what I am interested in
30



1 is the cost of transportation of our goods in
2 Canada. It was Prof. Jackson's declaration
3 that if your recommendations were implemented
4 there would be no increase for some time, and
5 I say to you that there could not help but be
6 an immediate increase in the trades I have mentioned.

7 MR. McLAGAN: I do not think I can answer
8 that categorically because I understand that
9 Clarke's are meeting competition now -- I don't
10 know.

11 THE CHAIRMAN: They are not meeting com-
12 petition in those days.

13 PROF. JACKSON: I would say if the ships
14 at present on charter were not allowed in the
15 coasting trade, the cost of carrying this coal
16 across the Great Lakes might be raised. All I
17 was saying to you was, I have no instructions
18 whether the declaration I had just made was to in-
19 clude ships on charter in that coal trade or not,
20 and as to that, Mr. Chairman, you gentlemen will
21 ultimately decide on the form of whatever recom-
22 mendation you may make on the point to the
23 Government of Canada.

24 COMMISSIONER WICKWIRE: Were you referring
25 to the Great Lakes trade only?

26 PROF. JACKSON: No, sir, I was referring
27 to the whole of the coasting trade of Canada.
28 I merely went on to say that my instructions did
29 not specifically cover ships on charter. That is
30



1 the reason I hesitated on this point and the sole
2 reason.

3 THE CHAIRMAN: Well, proceed, then.

4 PROF. JACKSON: I spoke a moment ago of
5 the tremendous disparity in the wage costs of
6 Britain and Canada as a result of which, of course,
7 there is an equal disparity between the wage levels
8 of workers of the shipbuilding yards of Britain
9 and Canada. There has been a great deal of argu-
10 ment as to what is the difference in cost of
11 building ships in Canada and elsewhere, and the
12 difference in cost of operating ships in Canada
13 and elsewhere. There has been some attempt to
14 pinpoint accurately what these differences are,
15 and that, I suggest, is not necessary. Technical-
16 ly, it is not possible when you have vessels which
17 are not identical competing with one another, to
18 say that the difference in their cost of building
19 or cost of operation is precisely so much percent.
20 You will recall that the figures were meticulously
21 worked out by Mr. Lowery and were carefully gone
22 over by him before the Commission. May I read the
23 number of the exhibit for the record? It is
24 Exhibit 200. Mr. Peck's exhibit is 204. I
25 will refer to Exhibit 200 for the moment; you
26 will find half a dozen different kinds of vessels
27 and half a dozen different percentage ratios in
28 the comparison of these British ships with
29 Canadian ships. I note the fact that most of
30



1 these differences are in the neighbourhood of a
2 ratio of 80 to 100 in the case of ship operation.
3 That is to say, the various British ships cost to
4 operate per ton mile a little less or little more
5 than 80 percent of the cost of Canadian operations,
6 and I take from Mr. Lowery's work and Mr. Peck's
7 exhibit that the cost of building a vessel in
8 Canada is 50 percent or somewhat more than 50 per-
9 cent above the cost of building a similar vessel in
10 England.

11 These round figures seem to me to be all
12 that we need to know. The situation is that
13 because of this tremendous disparity in wages, mainly
14 because it spreads through to all the components in
15 the case of shipbuilding and ship stores -- because
16 of this difference in wages which is tremendous
17 between the British level and the Canadian level,
18 our cost of shipbuilding and our cost of ship opera-
19 tion must be substantially greater than the corres-
20 ponding cost of a ship built in a British yard
21 and operated on a British registry.

22 COMMISSIONER WICKWIRE: It is also tre-
23 mendous between the West Coast and the St. Lawrence,
24 or is it not?

25 PROF. JACKSON: I would hesitate to use
26 the word "tremendous". That is a question of
27 degree. There is a difference and there is
28 quite a marked difference, but you have no dif-
29 ference between the wages on the West Coast and
30



1 wages, say, in Nova Scotia and New Brunswick
2 corresponding with this 162%.

3 COMMISSIONER WICKWIRE: There is 35¢ or
4 40¢ an hour difference in most classifications
5 which, to me, is quite a considerable sum
6 when it comes to yards being competitive.

7 PROF. JACKSON: 35¢ or 40¢ is what? It is
8 perhaps 30 percent of the hourly wage of the ship-
9 wright in Nova Scotia. In percentage form, you
10 are talking about such percentage differences in
11 Canada, between the yard in the relatively low-
12 wage area and the yard in the relatively high-
13 wage area?

14 COMMISSIONER WICKWIRE: I was thinking if
15 I was interested in having a ship built in Canada
16 how a West Coast yard could compete with a St.
17 Lawrence or Great Lakes yard or with the Atlantic
18 yard.

19 PROF. JACKSON: I can only say it does
20 compete, and in given instances the buyer of the
21 ship finds it worthwhile to buy the ship on the
22 West Coast despite the fact of the difference in
23 wages.

24 THE CHAIRMAN: Once it did not, because
25 we saw a ship which had been launched at Vickers
26 and it was sold for the run from Vancouver to
27 the Skagway.

28 PROF. JACKSON: I do not mean the
29 Pacific Coast will inevitably get all the orders
30



1 for all the ships to be run on the Pacific Coast.
2 If the coasting trade is restricted they are going
3 to build always in competition with yards on the
4 Atlantic Coast and the St. Lawrence. What I do
5 suggest to you is that the Pacific Coast shipyards
6 have succeeded in keeping their end up so far in
7 competition with shipyards elsewhere in Canada
8 and the difference of 30 percent or whatever may
9 be the difference between wages in the Canadian
10 yard which pays the lowest, and these highest wages
11 on the Pacific Coast (perhaps of the order of 30
12 percent) when we compare the Canadian yards with
13 the British yards we look at a difference not of
14 30 percent, but 162 percent. In other words, we
15 have something like five times -- my 30 percent
16 is a very rough figure -- but we have something
17 like five times the range of variation between
18 wages in shipyards in Canada, when we compare
19 average wages in British shipyards with average
20 wages in Canadian shipyards. I think the relative
21 range of contrast there is a pretty important
22 consideration.

23 Now, under conditions of perfect free
24 trade the shipyard with these very low wage costs
25 would, in the long run, I suppose, drive to the
26 wall the shipyard with wage costs so much higher.

27 THE CHAIRMAN: I do not think I would
28 agree with that, with the little smattering of
29 economics I know, that certainly the reason for
30



1 higher wages is high efficiency. It would be
2 interesting to know the number of man-hours in a
3 United Kingdom yard as against a Canadian yard.
4 Are these highly paid Canadian workers producing
5 a ship in fewer man-hours than in England, or
6 are they not?
7

8 PROF. JACKSON: Rather than answer that
9 question directly, I would ask Mr. Lowery to say
10 what should be said on the subject.

11 MR. LOWERY: I am afraid I am in the
12 position of being caught not listening.

13 PROF. JACKSON: Would you, Mr. Chairman,
14 repeat the question?

15 THE CHAIRMAN: I was debating with Prof.
16 Jackson his statement that a low-wage manufacturer
17 would run the high-wage manufacturers out of
18 business, and I think the whole of the United States
19 is a complete answer to that statement, the highest
20 wage country in the world can sweep other markets
21 time after time, and I point out that high wages
22 mean high efficiency and, therefore, I ask
23 whether the number of man-hours taken by these
24 high-paid Canadian workers, and even higher-
25 paid American workers, is fewer than the number
26 of man-hours taken by the lower-paid United
27 Kingdom worker, do you know?

28 MR. LOWERY: I think I do, sir, so far
29 as anyone, first of all, admitting what you have
30 to say about the United States, one must admit



1 that in the majority of fields in which they can
2 by improved efficiency compete with the rest of
3 the world, they are on a mass-production or a large
4 output, whereas shipbuilding is a custom-built
5 operation which seldom lends itself to mass-
6 production, one man is doing a special task which
7 is quite similar to what is being done by his
8 brother in Britain. There is little chance to
9 invest money in fancy machinery to build ships by
10 pressing buttons. The activities are almost en-
11 tirely individual and personal. However, I would
12 say ---

13 THE CHAIRMAN: At the same time you tell
14 us a shipyard is a mere assembly place with the
15 work done in factories, 176 I think we heard in
16 various places in Canada and the United States and
17 Great Britain. Now, do not the factories have
18 machinery, they press buttons to do their work?

19 MR. LOWERY: Not to build boilers or
20 winches which go to the ships. Ships are not
21 produced as cars or refrigerators or automobiles,
22 but the assembling -- a shipyard is an assembling
23 industry and, of course, a large proportion of
24 the cost of the ships being built in Canada is
25 the labour cost which Mr. Jackson was referring to.
26 I have received from Britain figures on man-
27 hours for many types of vessels constructed in
28 Britain, from friends of mine in the industry.
29 It takes a very careful analysis to arrive at any
30



1 conclusions because of differences in cost pro-
2 cedures; but my effort has been to find out whether
3 we, in fact, are as efficient as they are because
4 I wanted to use it against my own staff to show
5 them what they could aim for. My conclusions
6 are that the Canadian shipyards are certainly as
7 efficient or more efficient from a man-hour point
8 of view than are the British shipyards, and I
9 would feel even if they are just as efficient that
10 is no mean achievement, because Britain is reputed
11 to be the greatest shipbuilding country in the
12 world. But I would say the shipyards in Canada
13 of which I have some idea can build ships for less
14 man-hours than equivalent ships would take in
15 Britain. May I just say that I am not talking
16 about 20 percent differences because differences
17 are quite slight, but I think one means of arriving
18 at a fairly similar conclusion can be gained from
19 Mr. Peck's exhibits where he took the actual
20 figures for building a ship in Britain, divided
21 into the various components of cost and merely
22 corrected that cost for itself for differences
23 in Canada. In Canada one reads of material
24 costs, assuming equal efficiency and arrives at
25 a price of about \$3,200,000. He and Mr. Paul-
26 hus worked independently without any reference
27 to the British article to see what such a ship
28 would cost if it were built in Canada, and they
29 both arrived at a figure which was almost the
30



1 same. So, at least, their figures do not in any
2 way indicate that Canadian ships require more man-
3 hours to construct than do the British.
4

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1 PROF. JACKSON: May I say, sir, nobody is
2 more proud than myself of the competence of Canadian
3 workers but when an operation requires so much time
4 of a skilled craftsman doing things with his hands
5 and not doing things with push-buttons as is the
6 case in a modern shipyard, no possible efficiency
7 of a Canadian shipyard worker which he could hope
8 to attain, would merit the difference of 162 per
9 cent in wage levels to which I began by calling
10 attention.

11 THE CHAIRMAN: Then shipbuilding is a trade,
12 an industry, which cannot realize the economies of
13 large-scale production.

14 PROF. JACKSON: It cannot realize the
15 economies of large-scale production to the degree
16 which would neutralize this tremendous difference.

17 THE CHAIRMAN: Isn't it inevitable then
18 that shipbuilding will gravitate to countries which
19 have a low scale of wages?

20 PROF. JACKSON: I was just beginning to say
21 this, when we begin dealing with the relative
22 efficiency of the British shipyard worker and
23 Canadian shipyard worker. My submission to you
24 is that under conditions of perfect free trade
25 the building of ships and ship operation would in-
26 evitably gravitate into the hands of countries
27 with a low wage rate provided the workers were
28 efficient and under such circumstances the Canadian
29 shipbuilding industry would be sooner or later
30 doomed.



1 That is again to be realized from our Table
2 XI, as soon as one goes into this ratio of 100 to
3 262, which is the ratio of average wages in British
4 shipyards and average wages in Canadian shipyards.
5 I say, sir, that is a staggering figure.

6 THE CHAIRMAN: That being so, and remember-
7 ing the present barrier in the St. Lawrence system,
8 everything east of Kingston right down to the Atlan-
9 tic Coast, and on the Pacific Coast is artificial
10 and not economic in its essence; isn't that so?

11 PROF. JACKSON: If I may go back, sir, I
12 said under conditions of perfect free trade. Perfect
13 free trade exists almost nowhere in the world and,
14 the statement I made was from a wage comparison,
15 and no factors but wages have been taken into
16 account at all.

17 To build a Canadian ship costs 50 percent
18 or somewhat more than 50 percent more than to build
19 the same ship in Britain, and the ratio in costs
20 of ship operation is in the neighbourhood of 100
21 in a Canadian ship and 80, minus or plus a little
22 bit, in the case of a ship built under British
23 registry. Here is a situation, which under con-
24 ditions of perfect free trade, would mean that
25 the shipyards of Canada would be doomed.

26 Our physical assets in these shipyards are
27 essential to the defence of this and all free
28 countries. Our paramount consideration, not our
29 sole consideration, but our paramount consideration
30



1 must be this country's defence.

2 I remind you, sir, that Aristotle, whom both
3 of us once studied, said there are two main objects
4 in life. The first is to survive and the second,
5 to live the good life. We now talk about the
6 needs for survival of Canada, and a number of
7 friendly countries which are now free.

8 There has been some argument on the subject
9 of defence in the last few days.

10 THE CHAIRMAN: I think we will adjourn for
11 ten minutes, now.

12 ---A short adjournment.
13

14 -----

15 ---Upon resuming:

16 THE CHAIRMAN: Will you proceed, Professor
17 Jackson, please.

18 PROF. JACKSON: Within the past few days,
19 sir, we have been treated to an interesting and
20 vigorous discussion of modern war, a subject to which
21 I was coming when you gave us this welcome adjourn-
22 ment.

23 Dr. Hope, whom I do not quote accurately,
24 said our argument on behalf of defence requirements
25 may have scared people, but I am happy to know it
26 does not scare him. He talked in some detail
27 about modern war and especially of the war of the
28 future and told us something about warfare against
29 submarines and the future of inter-continental
30 guided missiles.



1 Now, sir, no doubt familiarity gives con-
2 fidence in one's ability to deal with one's enemies.
3 There is the famous story of Sir Francis Drake
4 engaging in a game of bowls when a captain rushed
5 up to him and said, "Spanish ships were at sea:
6 We have sighted fifty-three!"

7 The fate of England hung on what would be
8 done next. Sir Francis said, "I see no reason why
9 we should not finish our game of bowls".

10 Sir Francis was justified pragmatically
11 because within a few weeks he had burned half the
12 Spanish Armada in the Dunkirk roads; and the
13 threat of the Armada was lifted once and for all.

14 I do not think that Dr. Hope can justify
15 his evidence pragmatically like that, or so quickly.

16 I myself do not know what awaits us in World
17 War III, therefore I do not try to disprove Dr.
18 Hope's prognostications. I shall, however, have
19 a word to say in a few minutes about his Exhibit
20 228.

21 Doubtless, sir, all the members of the
22 Royal Commission know, and to a certainty one
23 member of this Commission knows, there is in the
24 Canadian Army and the British Army a position
25 lower than that of a private. Lowest of all
26 is the super-numerary lance-corporal, unpaid.
27 Such was I, during a substantial part of World
28 War I. In fact, just as it is truly said of
29 the late Rt. Hon. William Lyon MacKenzie King,
30 that he was Prime Minister of his country for



1 longer than any Prime Minister of any country, so
2 perhaps, I have held longer than anyone else, the
3 post of super-numerary lance-corporal, unpaid.

4 In other words, I do not arrogate to myself
5 the right to talk as if I were an authority on
6 war. But even a super-numerary lance-corporal,
7 unpaid, sees certain things.

8 In that World War, I did serve in four count-
9 ries; and afterwards, I crossed four more countries
10 to come home again. My most vivid memory relates,
11 not to something which happened during the war,
12 but to certain experiences on the way back through
13 those four countries, after the war.

14 I saw from time to time starving children
15 or half-starved children, standing by the railway
16 track while our train slowly crawled along Italy's
17 Adriatic Coast. I saw soldiers in those famous
18 railway cars labelled "Hommes quarante, chevaux
19 huit", throwing their rations to the children
20 because they couldn't bear the sight of them
21 starving, suffering, as we went home.

22 What about the food these children lacked?
23 They lacked food in their own countries because
24 men cannot fight their enemies and at the same
25 time follow the plough. These children were
26 not children of a defeated enemy, but of an ally
27 with whom we had been standing side by side for
28 years.

29 One reason they were starving, and went
30 on starving for a considerable time, was



1 because of the lack of ships. If you ask me why
2 the ships were not there, I say, because
3 millions of tons of ships were then at the bottom
4 of the sea: millions of tons of other ships had
5 not yet been built. That is what must happen
6 after a war, when you do not have enough ships.

7 My next most vivid remembrance is the size
8 of the North Atlantic Ocean. I think I had already
9 spent 15 weeks in time of peace on the Atlantic
10 Ocean, when World War began. But it was only
11 when in time of war one went to the ship's rail
12 and looked out for the periscope of a submarine,
13 which might appear at any moment, that one
14 realized what a large place the North Atlantic
15 Ocean is.

16 One says sometimes, when one wants to call
17 attention to some very large area, that perhaps
18 it is as large as the Province of Saskatchewan.
19 But the stretch of ocean/ⁱⁿwhich the Bismarck was
20 hunted and subsequently killed, covered an area
21 not the size of Saskatchewan but, rather, the
22 size of Manitoba, Saskatchewan and Alberta com-
23 bined. And even that was a small fraction of
24 the tremendous waste of seas which had to be
25 patrolled, in which murdering submarines lurked
26 for years and had to be chased and killed.

27 Dr. Hope derives cheer from a new heli-
28 copter called "The Seamew" about which something
29 was said the other day. I wonder how many
30 "Seamews" we should need to cover the great



1 stretches of the North and South Atlantic and the
2 still greater stretches of the Pacific if and
3 when another such danger has to be met.

4 The prospective enemy will start with a
5 fleet of submarines as large as the maximum size
6 reached by the submarine fleet of our enemies in
7 World War II.

8 Civilians may take somewhat easily the state-
9 ment which is given out officially from time to
10 time that the submarine menace has been destroyed.
11 I refer back to some similar statement which Dr.
12 Hope made last week that, after reaching tremendous
13 proportions, seven million tons sunk in one year,
14 during the last couple of years of World War II
15 the submarine menace was "well in hand" and the
16 danger was mastered.

17 I take his Exhibit 228 and look at the last
18 18 months of the war during which period the danger
19 was mastered (or whatever Dr. Hope's phrase may
20 have been). I note that in the last 18 months
21 of that war an average of four vessels per week
22 were sunk. Four times weekly the bell rang at
23 Lloyd's and the voices stopped while everybody
24 waited to hear whose ship had been sunk, what
25 cargoes had been lost, and how many more sailors
26 had been killed.

27 I do not know what the loss of men was,
28 when we were still losing four vessels per week;
29 but I myself cannot feel quite as happy about
30 the submarine business as Dr. Hope does.



1 His discussion introduces another question
2 of which the Commission is obliged, I suppose, to
3 take notice. That is, what one should expect to
4 be the duration of World War III.

5 If we say, or if anyone else says before the
6 Commission, that the basic reason for restricting
7 the coasting trade of Canada is national defence,
8 someone else may come forward, persons have come
9 forward before the Commission and said that, when
10 World War III becomes a shooting war, with the
11 weapons which are proven, or shortly to be proven,
12 we may be sure that World War III will be finished
13 in days, or at most, weeks.

14 I suggest, sir, if the view be correct
15 that the duration of World War III must be very
16 short, it will be short because in that very short
17 time there will occur a volume of devastation
18 almost instantaneous, which will completely
19 cripple one or both sides in that war.

20 Sir, I ask you to look at the resulting
21 situation in relation to food and health, ships,
22 ports, dockyards and shipyards.

23 One of my first memories of World War I
24 was going back to my native town of Hull and
25 noting the great destruction caused by bombs
26 dropped from zeppelins. One of the things I
27 did right after the close of World War II was to
28 go back to Hull and see, not the centre of the
29 town mangled by some bombs from zeppelins, but
30 miles of docks laid in ruins, miles of streets



1 which had been the homes of dockers completely
2 devastated; and this port, which has been for a
3 very long time a shipbuilding centre, completely
4 laid waste.

5 Multiply this by the number of times that
6 the weapons developed in recent years can cause
7 such damage almost instantaneously hereafter,
8 and you have a picture of what would happen.

9 Whereas we naturally think of ourselves
10 in terms of defence, if not as an isolated unit,
11 at least as an associate of two countries, Britain
12 and the United States, the fact is that as a
13 member of NATO we belong to an alliance binding
14 many nations, which is a link in a series of such
15 links extending from the North Cape of Norway to
16 Pakistan and beyond. This alliance is attempting
17 to contain the greatest power for evil, the
18 greatest power for destruction which any man has
19 even imagined. The reason why we feel secure
20 where we live is because we have this line of
21 allies, we form part of this alliance of 44 count-
22 ries. Almost all of them are weaker than our-
23 selves, some are pitifully weak. It is the
24 strength of the links binding that alliance that
25 keeps our own minds easy.

26 The failure of that alliance, I suggest,
27 sir, would make the North American Continent
28 a beleaguered island in a very short time.
29 Lenin may be quoted to show that this has been
30 the plan from the beginning, the programme of



1 the malignant government and revolutionary party,
2 to which we now direct our attention.

3 Now, sir, take the spectacle of those
4 Italian children whom I described a few moments ago.
5 Think of the 44 nations with which we find ourselves
6 allied, many not able to feed themselves, even in
7 time of peace.

8 Suppose that World War III should be finished
9 in a week. Ask yourselves, gentlemen, if you
10 will be good enough to do so, what are the respon-
11 sibilities of Canada to those 44 nations, what are
12 our responsibilities not merely for munitions and
13 supplies, but in the form of food which must be
14 delivered? What are our responsibilities for
15 the lives of men, women and children which must
16 be saved, no matter what has been the destruction
17 of ships, and of shipyards abroad.

18 These will involve us in a task of replace-
19 ment, precisely the same as the task of replace-
20 ment we shouldered in both World Wars. A much lar-
21 ger task of replacement than we shouldered in
22 World War II may confront us in, or after, World
23 War III.

24 Now, sir, that is the background against
25 which I suggest we must view the responsibilities
26 of Canada as part of the 44-nation chain of
27 alliances. Each member country must now consider
28 its own problem of survival as part of this
29 collectivity.

30 We claim that the maintenance of an



1 efficient chain of shipyards, capable of creating
2 and maintaining new ship types is vital to Canada's
3 defence -- indeed, that it is Canada's duty to the
4 great chain of alliances of which we now form part.

5 I spoke some time ago, sir, about the
6 sectional claims which had been made by various
7 interested groups before this Commission and the
8 forthright manner in which some of those interested
9 groups have taken for granted that we shipbuilders
10 are just another interested group, here to plead
11 our own self-interest. I point out, that is
12 precisely what we have not done. I suggest to you,
13 sir, that the most necessary task is now to think
14 for Canada.

15 At the risk of seeming tedious, sir, I am
16 going to ask you here to visualize a map of the
17 North Atlantic and to recall that the most important
18 sea route on earth is the Great Circle Route of
19 the North Atlantic. Being the Great Circle Route,
20 it is also the shortest route, between the ports
21 which I shall mention. The Great Circle Route
22 carries food and all the good things of life between
23 Montevideo, Rio de Janeiro, Baltimore, Philadelphia,
24 New York, Boston, ~~Saint~~ John, Halifax, St. John's,
25 Belfast, Liverpool, Glasgow, Southampton and
26 other European ports.

27 The principal function of our Canadian Navy
28 during World War II was to keep that sea route
29 open. We look back with pride on the fact that
30 a stage was reached in World War II when we



1 Canadians took over the crucial three thousand
2 ocean miles of the Great Circle Route and made
3 ourselves responsible for guiding those three thou-
4 sand miles.

5 We did so because in St. John's and Halifax
6 we had two seaports midway between one end and
7 the other of that Great Circle Route, ideally
8 situated for the purpose of mustering convoys and
9 maintaining ships to guard them, and in Halifax
10 and St. John's, two cities with shipyards admirably
11 suited to the quick refit and repair of vessels
12 which came in wounded from the sea, and had to be
13 made fit again, and had to be sent back into the
14 fight at the first possible moment. We thus
15 have three coastal cities, St. John's, Halifax
16 and Saint John, of which many people do not think
17 a great deal in times of peace. But when trouble
18 comes, these three cities are much in evidence.
19 They rank among the most important cities on earth,
20 and remain among most important cities on earth
21 till the war is won.

22 Tonnage built and dollars earned by these
23 Maritime shipyards, which are much less than other
24 figures, which can be cited of other Canadian
25 shipyards, do not measure at all the wartime im-
26 portance of these shipyards.

27 Now, sir, the next most important sea
28 route is the Great Circle Route of the North
29 Pacific, linking Valparaiso, Panama, Los Angeles,
30 San Francisco, Victoria, Vancouver, the Kuriles,



1 the Japanese and the Communist-held Chinese ports,
2 Hong Kong and Singapore. These mainland Asiatic
3 ports are ice-free.

4 When the Commission was sitting in Victoria,
5 Mr. Wallace put in Exhibit 46, which Mr. McLeod
6 has been kind enough to lend me overnight, and
7 which I now return, illustrating the situation on
8 our West Coast.

9 I call to your attention, sir, that on the
10 West Coast, Vancouver and Victoria stand in exactly
11 the same relationship to the Great Circle Route
12 in the North Pacific as St. John's and Halifax
13 stand to the Great Circle Route on the North Atlan-
14 tic. Their functions on the Pacific are basically
15 the same in another war as the functions of these
16 two North Atlantic seaports.

17 I bring to your attention, too, the vast
18 reaches of the Pacific, of which Mr. Wallace, I
19 think, spoke in Victoria. I measured last night
20 the distance from Victoria and Vancouver to the
21 nearest dockyards and drydocks in the British
22 Commonwealth of Nations within the Pacific area.
23 Without being precise I find that from Victoria
24 to Fiji the distance is something like 5,200 nauti-
25 cal miles, about twice the distance from Ottawa
26 to Vancouver. Fiji's naval dockyard cannot be
27 very large. The distance from Victoria to
28 Sydney, New South Wales, a real bastion of our
29 defence, is 6,900 miles, approximately. The
30 distance from Victoria to Singapore, the great



1 Far Eastern dockyard on which so much has been
2 spent in our lifetime, is more than that. It is
3 7,100 miles. Experience teaches us that when
4 World War III does become a shooting war, the
5 life of the dockyard and repair facilities at
6 Singapore may be limited to not many days.

7 So, sir, we have in these two Canadian
8 shipbuilding centres on the Pacific something
9 which gives them an importance unknown, I think,
10 to most Canadians.

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1 PROF. JACKSON (continuing): It was not
2 for nothing that the British Admiralty decided
3 in 1858 to establish a naval station as Esquimalt.
4 I think the first naval dockyard was established
5 there in 1860. We now look back on something like
6 a century, during which the key position of these
7 ports has become constantly greater. It is
8 enormously greater today than it was in World War
9 II, now that we see this long ice-free coast domin-
10 ated by the Red Flag in one Asiatic port after
11 another, and 400 Russian active submarines capable
12 of being launched on that vast ocean. So, sir,
13 if anybody asks me what is the strategic importance
14 of the Pacific Coast in Canada, I say that the
15 strategic importance of the Pacific Coast is mostly
16 the shipbuilding facilities of Vancouver and the
17 naval dockyard and the shipbuilding facilities of
18 Victoria, B.C. They must be maintained.

19 If it is claimed that it is extravagant
20 to pay shipwrights on the scale at which they
21 must be paid in British Columbia, let me suggest,
22 sir, it is no less extravagant for a poor man
23 whose child needs a crucial operation to get the
24 most skilled surgeon, whatever the size of his
25 fee, because the child's life may depend upon
26 doing just that.

27 I do not wish to labour the point, sir,
28 but I now repeat what we said in our original
29 brief. It is the joint interest both of Britain
30 and Canada that Canadian shipbuilders shall



1 remain in business and shall remain efficient.
2 Britain in peacetime, the greatest of all ship-
3 builders in the world, now stands exposed as never
4 before to the danger that her shipyards may suddenly
5 be destroyed. Almost instantaneously Britain may
6 find herself again dependent on the shipyards of
7 North America, both for waging war, and for the
8 vast impending job of rescue, life saving, and re-
9 building after war: on a scale very much larger
10 than in either war, of which we, here in this
11 room, have some direct knowledge.

12 Now, sir, if the point be granted that it
13 is of vital interest to this country to maintain
14 such shipbuilding facilities as we still have,
15 the question arises, by what means should that
16 industry be maintained?

17 We have an example across the border of
18 measures which have been taken for precisely this
19 purpose by the Government and people of the United
20 States, who decided in 1817, 139 years ago, to
21 reserve its coasting trade against the world, and
22 who since then have seen no reason to reverse
23 the decision. That same country, besides strictly
24 reserving its own coasting trade, has an elabor-
25 ate system of subsidies, by means of which the
26 differentials in cost between the ship operation
27 in vessels of United States registry and ship
28 operation in vessels of other registry and be-
29 tween the building of ships in United States
30 yards and the building of ships in competing yards,



1 may under certain strict rules be neutralized.

2 It has been asked of us, I think more than
3 once, in these hearings, why did we not ask that
4 the Canadian shipbuilding industry be subsidized?
5 I must say, Mr. Chairman, that a great many persons
6 who have appeared before you, including Dr. Hope
7 and various other people here in this room, have
8 pressed on you the suggestion that this industry
9 of ours should be maintained alive and efficient,
10 not by the first of the two devices used by the
11 United States, the reservation of the coasting
12 trade, but wholly by the second device of subsidy.

13 We point out, firstly, that this Commission
14 was established by the Privy Council to inquire
15 into and report upon questions with respect to
16 Part XIII of the Canada Shipping Act, Coasting
17 Trade of Canada, arising out of the transportation
18 by water of goods and passengers from one place
19 in Canada to another place in Canada and upon
20 relevant matters.

21 There is no mention whatever here, of sub-
22 sidies to promote the building of any ships.
23 While the minute from which we quote -- and here
24 I do quote -- "does not restrict the generality
25 of the foregoing" -- we have felt that we should
26 be leading the Commission far afield if we were
27 to suggest that it recommend the enactment of
28 subsidies to promote building in Canadian ship-
29 yards.

30 Now, sir, we come to something which may



1 be a sin of omission on my part, for which I
2 should confess. I have been until recently under
3 the impression that we had filed with the Com-
4 mission a report published by the United States
5 Government describing the whole operation of
6 ship subsidies in the United States.

7 I want the reference to it, please, in
8 the Shipbuilders' Report, Mr. Drahotsky. I am
9 sorry, sir, to hold the Commission up. This is
10 mentioned in Section 16 of the brief of the Ship-
11 builders. The title there is ---

12 THE CHAIRMAN: The report on Maritime
13 subsidy policy.

14 PROF. JACKSON: The report on Maritime
15 subsidy policy. I cannot find this in the list
16 of exhibits which are in your possession and I
17 feel it may not be in the possession of the Commis-
18 sion.

19 THE CHAIRMAN: We have it. I do not know
20 whether we got it from you or whether we got
21 it elsewhere.

22 PROF. JACKSON: In that event, if you
23 have it I am very pleased. I was not sure whether
24 you had it or not.

25 We said in Section 16 of our original
26 brief:

27 "The contents of the public purse--"
28 that is in the United States --

29 "are pledged in advance by legislation

30 "which directs that in future such-and-



1 "such payments shall be made under such-
2 "and-such conditions without reference to
3 "the total which these payments will reach
4 "finally.

5 "Such measures, perhaps, can only be
6 "taken by the richest of all nations. The
7 "citizens of other, still free lands may
8 "rejoice, nevertheless, that the richest
9 "of their neighbours, now possessing both
10 "the greatest naval armament and the lar-
11 "gest merchant fleet, is willing to bear
12 "so great a burden, from which all of us
13 "benefit.

14 "By comparison with that burden, so
15 "bravely borne on the shoulders of Uncle
16 "Sam, the request which we now make has
17 "at least the merits: (a) that it will
18 "cost Canada little -- or perhaps, nothing
19 "at all; (b) that nothing could be
20 "simpler".

21 We might, sir, have come before the Commis-
22 sion and said, "Gentlemen, we desire you to
23 recommend that the Government of Canada duplicate
24 the two main policies of the Government of the
25 United States which keep the shipbuilding indus-
26 try alive in that country. That is, both to
27 reserve the coasting trade of Canada and by means
28 of subsidies to build ships in Canadian yards."

29 We have not done that partly because our
30 reading of the terms of reference seemed not



1 to cover that remedy: partly because we make an
2 act of faith. We believe that if the coasting
3 trade is to be reserved, if Canada builds up
4 her naval strength, as we feel she must do from
5 henceforth, if there is a steady, small volume
6 of orders from Government for vessels other than
7 naval vessels, then with the ship repair work
8 which comes our way and with the commercial work
9 other than ship repair work which comes our way,
10 we may succeed in maintaining ourselves and remain
11 in fit condition without subsidy.

12 But, sir, if our judgment should prove
13 to be at fault on that, I suggest to you that
14 no decisions as to policy can be regarded as
15 final.

16 THE CHAIRMAN: No, you can always go back
17 and take another bite at it.

18 PROF. JACKSON: I do not suggest, sir,
19 we take another bite at it. I say, if the
20 Government of this country were to gain the con-
21 viction as a result of experience that reservation
22 of the coasting trade is insufficient, the
23 Government of this country can then always look
24 again at the problem and decide, more assistance
25 than that is required.

26 COMMISSIONER WICKWIRE: Prof. Jackson,
27 you would not care for us if we considered
28 within our terms of reference to recommend a
29 subsidy?

30 PROF. JACKSON: No, sir.



1 COMMISSIONER WICKWIRE: You would not like
2 that.

3 PROF. JACKSON: Our position is that if
4 in your wisdom you decide to recommend subsidy,
5 we have not one word to say. I merely draw atten-
6 tion to the fact that we have not at this time
7 asked for a subsidy, but that we have the convic-
8 tion that we can and must ask for reservation of
9 the coasting trade.

10 COMMISSIONER WICKWIRE: Let me ask you
11 this, if in your opinion that would be a fairer
12 remedy than restriction, in view of everything
13 we have heard, all the evidence we have heard.

14 PROF. JACKSON: Meaning by the word
15 "fairer" more equitable?

16 COMMISSIONER WICKWIRE: If it is a
17 question of national defence, about which you
18 have been talking for some time, that should
19 be borne by the country as a whole and not by
20 the users of the commercial shipping services.

21 PROF. JACKSON: I think in principle,
22 sir, if it is everybody's safety about which we
23 are talking, that every private person has a
24 certain responsibility for the cost of keeping
25 the country safe. I do not like the assumption
26 that has been made by various people who have
27 appeared before this Commission ---

28 COMMISSIONER WICKWIRE: That is what I
29 would like to hear you on.



1 PROF. JACKSON: That if the coasting trade
2 is reserved and if, as a result of reserving the
3 coasting trade some shipping freights are raised,
4 then the cost of raising the shipping freights is
5 going to be centered narrowly on whatever group
6 may have been discussing the problem before the
7 Commission at any given time. I would like to
8 suggest, sir, that in the working of the extra-
9 ordinary complex thing, which the modern indus-
10 trial economy has become, when strains are arising
11 all the time all over the place and are distri-
12 buted throughout that economy by natural laws
13 which we do not understand fully, it is reasonable
14 to suppose that if the coasting trade were to be
15 reserved, the cost, if any, of the reservation
16 of the coasting trade would in time be distributed
17 among the members of our society, just as the
18 cost of reserving the coasting trade in the United
19 States, I believe, is distributed. I do not like
20 the assumption that because Mr. Smith pays X
21 dollars for a truck for a day, whereas he paid Y
22 dollars last week, then the cost of operating the
23 truck is for all time on the shoulders of Mr.
24 Smith.

25 THE CHAIRMAN: I agree with that view,
26 Doctor, except you have to consider the ques-
27 tion of the marginal trades, for instance wheat.
28 If the cost of wheat is increased, therefore
29 it is more difficult to sell, and it seems to
30 have been difficult enough in late years and



1 it is sold in world markets. The fact that
2 wheat coming from Canada costs more to transport
3 to Liverpool is not of any interest to the Liver-
4 pool buyer. It is what he pays for it laid
5 down in Liverpool which interests him, whether it
6 comes from Canada or Argentina. Therefore the
7 Canadian vendor will not be able to pass on to
8 the Englishman the increase in cost of trans-
9 portation. Now, I think he will be able to pass
10 on to his fellow Canadian his decreased ability
11 to pay for it, and therefore the fellow Canadians
12 will bear the cost of the increase as well as he,
13 but that the ordinary people of different places
14 where there is a smaller group and a less power-
15 ful buying group than the growers and vendors of
16 wheat; for instance, these gypsum and fluor-spar
17 people in Newfoundland, and other small interests
18 bound by the end price, so that an increase
19 in the cost of transportation can only reflect
20 back on them and not forward on the purchaser;
21 but of a group whose buying power is small
22 now and they will not reflect their decreased
23 buying power because of their higher cost on
24 the cost of the products which they buy?

25 PROF. JACKSON: I think I follow you,
26 sir, and if I do I think I find myself in abso-
27 lute agreement with what you said. I should
28 like to observe this is an immensely complicated
29 problem. There are a lot of marginal trades
30 in this country.



1 Furthermore, there are a great many trades
2 in this country which represent themselves as
3 marginal trades but which you and I, on close
4 examination, might not agree to be marginal.

5 My plans do call for me, when I go across
6 the country from one Coast to the other, to look
7 at certain trades and discuss this question a
8 little more specifically. Would you mind if I
9 discussed that later, rather than complete the sub-
10 ject now? May I come back to it?

11 THE CHAIRMAN: Yes, certainly.

12 PROF. JACKSON: Thank you very much.

13 I leave the ground which I have been
14 covering for the last fifteen or twenty minutes,
15 sir, merely by saying we believe, we cannot prove,
16 that the consequences for the shipyards of reser-
17 ving the coasting trade, as we propose should be
18 done, plus the naval building which we can expect,
19 plus the building of ships for Government outside
20 the Defence Departments, plus the repairs, plus
21 whatever else of engineering work may be gotten --
22 we believe that will suffice. If experience
23 shows otherwise, Canadians are ingenious enough
24 to devise some further step.

25 Now, sir, may I come back to something
26 about which we talked at some length before
27 recess? That is the subject of efficiency.
28 Part of my great satisfaction in being mixed up
29 in this affair, in being permitted to appear from
30 time to time before this Commission, has been



1 my pride in being associated with a group of men
2 who seem to me to be first-class men running an
3 exceedingly efficient industry. We have dis-
4 cussed the question, whether the Canadian shipyards
5 are efficient, and how efficient, at some length
6 with you. We have also compared average rates
7 of wages in U.K. shipyards with average rates of
8 wages in Canadian shipyards.

9 As I say, it has been a satisfaction to
10 me to think I was the spokesman, by their choice,
11 for an efficient group of men. I believe that
12 the records that the yards have made in World Wars
13 I and II are familiar to the Commission and sub-
14 stantiate this opinion of mine.

15 I must say that witnesses who have appeared
16 before the Commission for the most part have
17 been willing to concede that ours is an efficient
18 industry, even those people who believe that in
19 our ^{high wage}/economy there is no place for such an industry.

20 Not until a very few days ago did someone
21 appear before the Commission, who questioned
22 forthrightly the adequacy of the Canadian ship-
23 yards to their task. He did not say they did
24 bad work. He said they were slow and that
25 work done slowly piles up costs which the ship-
26 owners frequently cannot bear and should not
27 have to bear, and he spoke in very gentle terms
28 about this, with evident regret, and he mentioned
29 no names.

30 I made a note on my pad at the time,



1 this was a very good witness; and I felt that
2 he perhaps showed a certain delicacy in not having
3 pointed to some one or two or three yards and
4 said, "These are the Canadian yards which are not
5 up to snuff".

6 The witness to whom I refer, of course, is
7 Mr. Irving. I have his transcript here. His
8 evidence is so recent that it is familiar to the
9 members of the Commission; therefore I shall not
10 read it. But I should like to read something
11 else, if I may do so, sir.

12 I myself was so disturbed at this evidence,
13 which struck at the root of my belief in their
14 efficiency, that I made enquiries of every Canadian
15 shipyard which could have been covered by this
16 gentle remonstrance of Mr. Irving's, in order to
17 find for my personal satisfaction, and for the
18 satisfaction of the rest of us, which yards, if
19 any, had let the Canadian shipyards in Eastern
20 Canada down. I received a series of replies,
21 which I studied; and I should like, if I may do
22 so, to read them to you. I have here ---

23 THE CHAIRMAN: Just a minute. Now,
24 surely, we are in argument. We must come to
25 some end of presentation of evidence in this
26 matter. I would have thought that we had made
27 it abundantly clear in our first letter fixing
28 these appointments that it was for those who
29 wished to give rebuttal and argument; subject
30



1 to one thing I will mention. That opportunity
2 was given and some availed themselves of that
3 opportunity, and constantly in any kind of liti-
4 gation there is always the feeling, "Oh, if I
5 had the opportunity I could have answered that".
6 I am afraid you will have to anticipate it, or
7 there would be no end to litigation. There
8 cannot be reply to reply after reply. Therefore
9 I can see we should not, apart from one circum-
10 stance, accept this evidence.

11 Now, the circumstance is this. Mr. Teed
12 asked first for the opportunity to produce his
13 witness, Mr. Irving, and was given that oppor-
14 tunity in Montreal and was given it again in
15 Toronto, and on neither occasion did Mr. Irving
16 appear, and Mr. Teed was asked questions in
17 Toronto which he was incapable of answering and
18 only brought Mr. Irving on rebuttal and supple-
19 mentary evidence to Ottawa. It happens he was
20 the last person who gave such rebuttal and
21 supplementary evidence.

22 I suggest that the proper thing under
23 those circumstances for you, Mr. Jackson, was
24 to have applied for leave as soon as he gave his
25 evidence to adduce such evidence by way of
26 rebuttal as you could gather. Now you are
27 putting it right in the middle of argument.

28 PROF. JACKSON: I think I agree with you,
29 Mr. Chairman.

30 THE CHAIRMAN: There must be some end to



1 these things.

2 PROF. JACKSON: May I just say one more
3 thing in explanation, Mr. Chairman?

4 THE CHAIRMAN: Yes.

5 PROF. JACKSON: There is but one circum-
6 stance which could lead me to bring up this matter
7 now. You may remember, sir, that you asked me
8 when Mr. Irving had given his evidence whether I
9 had any questions which I wished to put to him,
10 and I said, "No, sir, I am perfectly satisfied".
11 I was then perfectly satisfied because I accepted
12 the statements made by Mr. Irving as being direct
13 statements of fact relating to Canadian shipyards.
14 Even if I had not then accepted those statements
15 as being statements of fact, it would have taken
16 me one or two days to verify these statements.

17 This is the first moment when it is physi-
18 cally possible to challenge his evidence, so
19 damaging if true, to the shipyards of Canada. I
20 propose to show it is not true: but I could not
21 possibly, before this moment, have done so: nor
22 was I suspicious, when it was given, last week.

23 THE CHAIRMAN: How long will this take?

24 PROF. JACKSON: This will take, sir,
25 about four minutes.

26 THE CHAIRMAN: It takes more than four
27 minutes to worry about it. Let us proceed. Go
28 ahead.

29 PROF. JACKSON: In that case, may I make
30 three requests of you. Is that in order, sir?



THE CHAIRMAN: Yes, what are they?

1
2 PROF. JACKSON: I should like you to be
3 good enough to put three questions to Mr. Irving.
4 The first is, were the two ships, the Irvingbrook
5 and Irvinglake, repaired in a shipyard called
6 Steel & Engine Products in Liverpool, Nova Scotia?
7 That is not a shipbuilding yard.

8 COMMISSIONER WICKWIRE: What is it, Dr.
9 Jackson?

10 PROF. JACKSON: That is an engineering
11 works which cannot take a ship out of water, but
12 it can work on a ship above the waterline. It
13 is not a member of the Shipbuilders' Association.

14 I request you, sir, to find out whether
15 the business enterprise covered by the statement
16 of Mr. Irving is the Steel & Engine Products at
17 Liverpool (which is not a shipbuilding yard);
18 whether one of the Directors of this enterprise
19 is a Mr. K.C. Irving; and whether the Mr. K.C.
20 Irving, said to be a Director of that Company,
21 is the Mr. K.C. Irving who, naming no names, made
22 this imputation on the shipyards of Canada
23 several days ago.

24 THE CHAIRMAN: Proceed.

25 PROF. JACKSON: Thank you, sir.

26 Now, sir, when we plead that -- by the way,
27 may I ask you, Mr. Chairman, if you wish to rise
28 now in three or four minutes? I have not fin-
29 ished. I did not know whether you would like
30 to go on or not.



1 THE CHAIRMAN: You were going to read some
2 telegrams.

3 PROF. JACKSON: I thought you told me not
4 to.

5 THE CHAIRMAN: No, I said go ahead.

6 PROF. JACKSON: I am sorry, Mr. Chairman,
7 I thought I was forbidden to read them.

8 THE CHAIRMAN: No.

9 PROF. JACKSON: The first telegram is from
10 the Saint John Dry Dock Company Limited. It
11 says:

12 "RETEL WE WERE NOT ASKED TO QUOTE ON
13 "RUDDER REPAIRS ON IRVING BROOK IN
14 "NINETEEN FIFTY FIVE NOR DID WE GIVE AN
15 "ESTIMATE OF TIME REQUIRED TO DO WORK
16 "STOP WE WERE NOT ASKED TO QUOTE ON
17 "INSTALLATION OF ENGINES IRVING LAKE
18 "IN NINETEEN FORTY NINE NOR DID WE
19 "GIVE AN ESTIMATE OF TIME TO DO JOB"

20 The second telegram is signed by R. Nelson of
21 Halifax Shipyards Limited, and says:

22 "IRVING BROOK WE CARRIED OUT TEMPORARY
23 "REPAIRS NO QUOTE OR TIME IN PERMANENT NO
24 "DRYDOCKS AVAILABLE --- "

25 I am sorry, the sense of this is a little diffi-
26 cult because of the thing being written in tele-
27 graphese.

28 "IRVING BROOK WE CARRIED OUT TEMPORARY

29 "REPAIRS NO QUOTE OR TIME ON PERMANENT



1 "NO DRYDOCKS AVAILABLE AT THAT TIME STOP
2 "IRVINGLAKE WE HAVE NEVER SUBMITTED PRICE
3 "FOR INSTALLATION OF NEW MACHINERY WE HAVE
4 "GIVEN A QUOTATION FOR THE INSTALLATION
5 "OF CIRCULATING PUMP BUT AS YET WE HAVE
6 "TO SEE THE PUMP STOP".

7 The third telegram is signed by J.B. Ferguson of
8 Ferguson Industries Limited, and it says:

9 "RE YOUR TELEGRAM NO REQUEST EVER RECEIVED
10 "FOR ENGINE INSTALLATION IRVINGLAKE"

11 The fourth is from Mr. Black of Davie Shipbuilding
12 Limited, and it says:

13 "REURTEL IRVING REPAIR WORK WE WERE NOT
14 "INVITED TO QUOTE ON EITHER OF THE TWO
15 "JOBS MENTIONED"

16 Finally, I have a telegram from Mr. A.L. Simard
17 of Marine Industries Limited:

18 "HAVE NO RECORD BEING ASKED FOR QUOTA-
19 "TION FOR RUDDER REPAIRS IRVINGBROOK
20 "IN 1955 NOR FOR INSTALLING ENGINES
21 "IRVINGLAKE IN 1949".

22 THE CHAIRMAN: You left one out. You
23 left two out, I beg your pardon, Vickers and Davie
24 Shipbuilding.

25 MR. LOWERY: We are in there, Mr. Black.

26 THE CHAIRMAN: George Davie, the other
27 one. I happen to know that George Davie did some
28 work for Irving at one time or the other.

29 MR. LOWERY: He built a ship for him, sir.



1 PROF. JACKSON: I beg your pardon, sir.
2 I have a telegram from Mr. Andre de La Grave of
3 Geo. T. Davie and Sons Limited:

4 "REURTEL OUR YARD DID NOT GIVE THE TIME

5 "ESTIMATE QUOTED BY K C IRVING ON IRVING-

6 "BROOK OWNERS DID NOT CONTACT US ON THIS

7 "JOB STOP WE DID NOT QUOTE TIME AND COST

8 "INSTALLING ENGINES IRVINGLAKE IN 1949

9 "FOR SAME REASON AS ABOVE"

10 I thought I had with me a telegram of Canadian
11 Vickers. Have I passed that by in my hurry? I
12 did not see it here.

13 COMMISSIONER WICKWIRE: Is there a yard
14 at Matagan, Prof. Jackson, in Nova Scotia?

15 MR. McLAGAN: There was during the war.

16 PROF. JACKSON: Not now to my knowledge,
17 sir.

18 COMMISSIONER WICKWIRE: It seems to me
19 the Clarke Steamship people gave some evidence in
20 Montreal about having a ship over there ---

21 MR. McLAGAN: They did.

22 PROF. JACKSON: I do not know whether
23 it is still in existence or not. I do not know
24 whether they are still down there.

25 COMMISSIONER WICKWIRE: They are not
26 members of your Association?

27 PROF. JACKSON: No, sir.

28 I have another telegram. I have the
29 Vickers telegram, sir.
30



1 "RETEL WE WERE NOT ASKED TO TENDER FOR
2 "RUDDER REPAIRS ON IRVING BROOK IN 1955
3 "NOR FOR INSTALLING ENGINES ON IRVING
4 "LAKE IN 1949"

5 We have now, to the best of my knowledge, complete
6 denials in respect of both ships from all of our
7 member shipyards in Eastern Canada from Montreal to
8 Saint John, New Brunswick and I leave with you,
9 sir, the suggestion that you put the three ques-
10 tions which I have outlined, to Mr. Irving in due
11 course.

12 I should like to ask, sir, if I may be
13 given an interval of some time because this is
14 a somewhat lengthy physical ordeal and I still
15 have more to say.

16 THE CHAIRMAN: How much longer will you
17 be?

18 PROF. JACKSON: Well, I am bound to take
19 some time because I wish to talk about Newfound-
20 land. I wish to say more about the attitude
21 of the Great Lakes shippers and something more
22 about the Pacific. I do not think I can pos-
23 sibly finish before hunger drives the Commission
24 off for lunch.

25 THE CHAIRMAN: No, I was not attempting
26 that. We will adjourn until 2.15.

27 ---The hearing recessed at 12.55 P.M.



Take AA
RY

1 ---Upon resuming at 2.15 P.M.

2
3 THE CHAIRMAN: Professor Jackson.

4 PROF. JACKSON: Mr. Chairman, I began this
5 morning with an apology for the fact that I was
6 going to take up a great deal of the Commission's
7 time and be somewhat tedious. I now must apolo-
8 gize again for talking at such length. I probably
9 shall apologize a third time at long last, for
10 having taken up so much of your time. I promise
11 to proceed as fast as I can.

12 So far, we have rested our case on what
13 we believe to be the basic consideration: that
14 is, defence. If I had any responsibility for
15 shaping Canadian policy directly, that would
16 weigh with me far more than any consideration of
17 any kind, which could be put alongside it.

18 However, I would like to say something
19 about the peacetime value to this economy of ours
20 of the Canadian shipyards, and I wish to do this
21 by quotation. Let me say first, speaking for
22 our industry, that no shipbuilding industry
23 can be said to have come of age until it can
24 create new types of ships. In World War I
25 our job was to make Chinese copies of ships de-
26 signed in Britain. We had materials and power
27 and we could do work of a certain degree of
28 complexity, and we turned out such ships as we
29 could turn out as fast as we were able. In
30



1 World War II we did what a teacher would call more
2 advanced work, but we began World War II by making
3 Chinese copies and it was certainly not until
4 World War II had dragged its weary length a long
5 way that we began to stand on our own feet in
6 matters of designing.

7 We have at last come to the stage where we
8 can create new types of ships and we have just
9 created, in the St. Laurent, a new type of ship
10 about which you, Mr. Chairman, know very much more
11 than I do, but which I believe, not only to be
12 one of the two or three most modern warships in
13 the world but, after the first atomic submarine,
14 perhaps the most complex modern warship, demanding
15 the greatest assemblage skills and abilities on
16 the part of the men who created the design and
17 then executed it. Perhaps it is therefore proper
18 for me to claim now, that our Canadian ship-
19 building industry has at last come of age.

20 It is not young. The Commission knows
21 that 100 years ago Quebec was a great shipbuilding
22 port, and a very large part of the population
23 there made its living by building ships. A
24 substantial part of the merchant marine of Great
25 Britain was Canadian built in those days.

26 Then the coming of the steam-driven, iron
27 ship destroyed our Canadian industry, because
28 it was devoted entirely to the building of wooden
29 ships.
30



1 We started again, doing the most elementary
2 work. At last, in the 1950's, our shipyards have
3 come of age. That, I submit, is a fact of impor-
4 tance, reaching far beyond the confines of the
5 shipbuilding industry.

6 Because Mr. Husband has said what needs to
7 be said so much better than I can, let me now recall
8 his testimony given in Victoria: Volume 6 of
9 the transcript, page 1965. Mr. Husband said there,
10 in part:

11 "In developing the designs of these
12 "new ships Canadian technical men are solv-
13 "ing problems which we in Canada have never
14 "attempted to do before. Many of these
15 "technicians are employed in industry at
16 "points remote from the shipyard areas.
17 "Manufacturing facilities have been set
18 "up in Canada which never before existed
19 "and which could not have appeared had
20 "it not been for the development of this
21 "naval work. These facilities are required
22 "for the development of equipment which
23 "was never manufactured before in Canada,
24 "and we in the industry have been forced
25 "to solve new problems in engineering,
26 "metallurgy, electronics, ballistics,
27 "communications, navigation, and strength
28 "of materials in order to complete these
29 "new ships. The value of this work goes
30



1 "far beyond the mere construction of the
2 "naval units. This benefit is proved by
3 "the great technological advances which
4 "have emerged into commercial side lines to
5 "the benefit of the whole population of
6 "Canada. A dormant shipbuilding industry
7 "is unthinkable. No one questions the
8 "necessity of an electronics or aircraft
9 "industry, but for some unaccountable
10 "reason some people do not feel the same
11 "about shipbuilding, yet the development
12 "problems, the benefits, and the results
13 "in the side lines that develop are the
14 "same as from the electronics and aircraft
15 "industries."

16 "Mr. Chairman, the present world
17 "situation as we see it is due to the
18 "strength of the Western nations rather
19 "than anything else, and if there are
20 "peaceful overtures being made ... "

21
22 This was at the time of sweetness and light
23 in Geneva last summer which some people took
24 more seriously than others.

25 "... at this time we believe it is because
26 "the Western nations are strong, but
27 "until these hopes for peace become
28 "realities we feel that Canada must re-
29 "tain at least her ability to convert
30



1 "to a war footing in the event of unforeseen
2 "deterioration in international affairs.
3 "If, in spite of universal hopes, war does
4 "break out, British Columbia shipyards will
5 "be called upon to do a job that will dwarf
6 "their efforts in World War II."

7 For the moment I am not pleading for British
8 Columbia. I am talking about the influence
9 of this industry on Canada as a whole. The pas-
10 sage which I have just read mentions electronics
11 and mentions the aircraft industry: here I par-
12 ticularly stress aeronautical engineering.

13 I submit, there are certain industries,
14 and perhaps these three are the three -- the elec-
15 tronics industry; the industry of aeronautical
16 engineering which has created the CF-100 and is now
17 creating the CF-105, about which nobody knows any-
18 thing except a very few people; and the shipbuilding
19 industry. These three great industries are
20 pathfinders in this sense, that they create skills
21 and they give experience, that they train and
22 employ men who subsequently permeate our industrial
23 structure. Thus it is reasonable to suppose
24 that Canada, with a developing and absolutely first-
25 rate electronics industry; with a developing and
26 absolutely first-rate aeronautical engineering
27 industry; with a developing and absolutely
28 first-rate shipbuilding industry, which includes
29 the most complex naval shipbuilding: that
30



1 Canada must hereafter gain, and all Canadians must
2 gain, by the presence among us of these pathfinders.

3 Let me now turn to some geographical con-
4 siderations. But first, I should make a small
5 correction, in justice to Dr. Hope. For I said
6 this morning that the Canadian Federation of Agri-
7 culture has declared itself in favour of giving
8 subsidies to the shipbuilding industry. Dr. Hope
9 tells me that various member units in the Canadian
10 Federation of Agriculture have indeed done so:
11 but not the Federation itself.

12 I should like briefly to talk about three
13 sections of Canada: Newfoundland, the Great Lakes
14 and the Prairies. Then I should like to discuss
15 the slogan "dollars for Britain" which, if it has
16 not been coined in this room, has at least been
17 sounded very frequently before this Commission:
18 after which, I shall end.

19 First of all, sir, with regard to Newfound-
20 land, oldest settlement in North America, youngest
21 member of the Confederation: a land with a record
22 of poverty, such as perhaps Anglo-Saxons have not
23 suffered anywhere else, so long and sorely -- with
24 the just possible exception of the crofters in
25 the Scottish Highlands who finally came and
26 carved fortunes for themselves in Canada.

27 Here is this new province added to the nine
28 provinces earlier in Confederation, much the
29 poorest of them all. We have put in evidence
30



1 an Exhibit, No. 166, in order to show what has
2 happened to Newfoundland since she came into Con-
3 federation. I will not recite these figures,
4 which are familiar to the Commission. I will only
5 remind them that as regards the total of personal
6 incomes in Newfoundland since 1949, it has risen
7 faster than the total of personal incomes in any
8 one of the three other Maritime provinces or in
9 the whole of Canada taken as one; that the popula-
10 tion of Newfoundland has grown faster than the
11 population of any one of the other three Maritime
12 provinces or the whole of Canada; and that the
13 average of personal incomes per head has risen
14 faster than in any of the other three Maritime
15 provinces and very considerably faster than the
16 average for all Canada.

17 The Newfoundlanders, as nice a people as
18 one could want to find anywhere, still are very
19 poor children of Canada. But we may record
20 with satisfaction the fact that Confederation
21 has been good for Newfoundland, and that Newfound-
22 land is now considerably better off, than she was
23 a very short time ago.

24 Newfoundland today presents a curious
25 spectacle. Here is a land with this background
26 of almost incredible poverty, advancing fast
27 nowadays and undergoing a genuine industrial
28 revolution.

29 Like all industrial revolutions, this one
30



1 is greatly benefiting some sections of the popula-
2 tion and passing other sections by. Here I
3 speak without first-hand knowledge: but I believe
4 the population in the Newfoundland outports is
5 not noticeably better off than it was before. On
6 the other hand, even in the fishing industry,
7 there is one extraordinarily up-to-date and effi-
8 cient and modern packing plant at Job's -- with
9 its trawlers bringing in its own fish to be pro-
10 cessed instantaneously while completely fresh, and
11 with a very rapidly developing export business
12 in fresh filleted fish.

13 Elsewhere in Newfoundland one sees the
14 curious phenomenon which one also sees elsewhere
15 in Canada; that is, a small unit of population
16 which nevertheless contains within it some large
17 and some very successful businesses.

18 By way of example I should like to refer
19 to three such businesses: Bowaters Newfoundland
20 Pulp and Paper Mills Limited; Anglo-Newfoundland
21 Development Company Limited; and Dominion Steel
22 and Coal Corporation Limited. Bowaters, I
23 believe to be the largest undertaking in the
24 world making newsprint and now to be going ahead
25 on a great scale. Anglo-Newfoundland Develop-
26 ment Company Limited, smaller and less impres-
27 sive looking than Bowaters, but with wide-
28 spread international interests and a great record
29 in Newfoundland. Dominion Steel and Coal
30



1 Corporation Limited, whose headquarters is on
2 the mainland, nevertheless is one of the great
3 corporations in Newfoundland as well.

4 In another exhibit, Exhibit No. 216 --
5 and here again I do not propose to throw any
6 figures at the Commission this afternoon, or at
7 least almost no figures -- we have some supple-
8 mentary information regarding the waterborne trade
9 of Newfoundland. I bring this to the Commission's
10 notice because we have had a picture drawn for
11 us in Newfoundland, as in a good many sections
12 of Canada, of producers living very close to the
13 margin: of all these marginal producers being
14 in such a position that small changes in freight
15 rates, up or down, might entirely reverse their
16 fortunes. I bring to notice, and I think these
17 figures which we have filed in Exhibit 216 make
18 this evident, that the great bulk of the water-
19 borne trade of Newfoundland consists in the
20 movement of bulk products by producers of whom
21 some perhaps are near the margin: but that
22 the big elements in the basic industries of New-
23 foundland cannot fairly be described thus. I
24 suggest to the Commission that, in making
25 whatever findings they are going to make rela-
26 tive to Newfoundland, they should have due regard
27 to the fact that a very large proportion of
28 all waterborne shipments in the coasting trade
29 are shipments by successful companies towards
30



1 whom everyone must feel goodwill, but who cannot
2 possibly be described as marginal producers.

3 There is a possible exception, in the case
4 of Dominion Steel and Coal Corporation. Let me
5 make just two observations concerning that company.
6 The first is that DOSCO still is very heavily
7 subsidized by the Dominion Government; that the
8 desire to give DOSCO the cheapest water transpor-
9 tation, no matter by what means or at what national
10 disadvantage, is a request by DOSCO for the main-
11 tenance of a situation uniquely favourable to the
12 company on top of and in addition to the subsidies
13 now paid by Canadian taxpayers generally, which
14 DOSCO receives. Second, I bring to the notice
15 of the Commission that DOSCO's troubles are in no
16 small measure due to consistent absenteeism on
17 the part of miners in DOSCO's employ, such a
18 percentage of absenteeism as, to the best of my
19 knowledge, cannot be matched elsewhere in this
20 country. For if DOSCO were getting the 200,000
21 tons or more of coal which she now fails to get
22 annually by reason of this abnormal absenteeism,
23 she might have somewhat less reason to plead
24 poverty, before this and other Royal Commissions.

25 I referred this morning to the submission
26 last week of Furness Withy, a submission in
27 which Furness Withy can take great pride, and
28 in which I think Canadians can take great satis-
29 faction too. Subject to what was said this
30



1 morning about the chartered vessels carrying coal,
2 I submit that our proposals mean the placing of
3 no burden on the Newfoundlanders which does not
4 rest on them now, and in addition to the factual
5 information which we put forward in Exhibit 166
6 I should like to call the Commission's attention,
7 if I may, to the magnificent prospect at present
8 before Newfoundland, which has been summarized
9 in the brief presented by the Newfoundland
10 Government to the Royal Commission on Canada's
11 Economic Prospects. I quote from this document,
12 which is filed with the Royal Commission on
13 Canada's Economic Prospects. Our exhibit is a
14 photostatic reproduction of the brief filed by
15 the Newfoundland Government, a brief which is the
16 more interesting because it breathes an air of
17 confidence as to the future of Newfoundland which
18 is singularly lacking in the brief which the
19 same Government put before this Commission; and
20 in the statements made before this Commission by
21 the Premier of Newfoundland and other spokesmen
22 for that province. I quote particularly from
23 page 155 of the Newfoundland Government's sub-
24 mission to this other Royal Commission, with
25 a view to showing what prospects the Newfound-
26 landers themselves visualize, when they look
27 at the future of their now rapidly developing
28 province. On that page the report says:

29 "Important as the primary and
30



1 "export industries will be in increasing
2 "employment and income in Newfoundland, the
3 "greatest over-all expansion will probably
4 "take place in secondary economic activity,
5 "that is, in those industries which serve
6 "the primary or export industries and the
7 "people they employ. It is probable that
8 "the ratio of primary to secondary employ-
9 "ment and investment in Newfoundland has
10 "always been very much higher than the corres-
11 "ponding ratio in Canada as a whole. With
12 "the very low productivity of the fisherman,
13 "the fishing community could only support
14 "a minimum of secondary activities. An
15 "increase in productivity and incomes will
16 "enable the community to devote more
17 "economic resources to such things as elec-
18 "tricity and electrical appliances, better
19 "housing, entertainment, and automobiles.
20 "In other words, whereas the typical outport
21 "of the past boasted one store and, nor-
22 "mally, one school and one church, the
23 "fishing communities of the future will
24 "have theatres, garages, water and sewer-
25 "age plants, community centres, cold stor-
26 "age plants, market farms, barber shops
27 "and beauty parlours, and so on.

28 "The only secondary activity which
29 "has been examined in any detail in this
30



1 "submission is the generation of electrical
2 "energy, and it has been shown that present
3 "trends point to a six hundred percent
4 "increase in domestic consumption and a
5 "somewhat smaller increase in other uses
6 "of electricity in the next twenty-five
7 "years. If this estimate seems high, it
8 "is well to bear in mind that the central
9 "electric power stations in Newfoundland
10 "are now trying to cope with a fifteen per-
11 "cent annual compounded increase in elec-
12 "trical consumption. If the future of
13 "such businesses as electrical appliance
14 "stores, theatres, garages, and restaurants
15 "were looked into, it would in all likeli-
16 "hood be found that prospects for growth
17 "are almost as great.

18 "While our analysis shows that the
19 "prospects of the private sector of the
20 "Newfoundland economy are very promising."

21 I turn now, sir, and very briefly, to the
22 Pacific Coast, and just as the role of Vancouver
23 and Victoria on the Pacific Coast is not dis-
24 similar to the role of Halifax and Saint John,
25 New Brunswick on our Atlantic Coast, so to me
26 the problem constituted by water transport on
27 the Pacific Coast seems to me fairly parallel with
28 the problem constituted by water transport around
29 Newfoundland in particular, with the difference
30



1 of course that the Pacific Coast is already very
2 much more prosperous than Newfoundland is, or
3 can become in any reasonable time.

4 The Pacific Coast has today, so far as one
5 can tell, the highest standard of living in Canada,
6 and does business successfully despite the fact
7 that it has, in most trades, the highest rate of
8 wages in Canada.

9 Here again, sir, analyse the statistics of
10 tonnage of various categories of goods in the
11 coasting trade of British Columbia and it becomes
12 obvious that by far the greater part -- I think
13 I can say nearly the whole, without fear of exaggera-
14 tion -- consists of primary products shipped in
15 bulk. Members of the Commission who have seen
16 everything in this country pertinent to this in-
17 quiry from Atlantic to Pacific, are familiar with
18 the system of moving these bulk goods in the water-
19 ways, mostly sheltered, of British Columbia.

20 Here you have an operation with tugs and
21 scows and barges, of extraordinary economy. It
22 is an operation not unlike the navigation in peace-
23 time of the Rhine, its tributaries and its arti-
24 ficially created canals which gave Germany
25 during three-quarters of a century the cheapest
26 system of transportation in Europe and which
27 did so much to build up Germany's industrial po-
28 tential and Germany's war-making potential too.

29 Here is a system by means of which the
30



1 ship's engines in the tug, and the ship's hold in
2 the barge or scow, can be separated so that the tug
3 can quickly be moved around like a taxicab. I
4 don't know whether tugs have the two-way radio
5 which taxicabs have nowadays. But the barge or
6 scow can be dropped where it is going to be filled,
7 the tug's engine need not idle for a moment. The
8 tug can be sent off, on a message quickly received,
9 to the next place where scows and barges, perhaps
10 loaded, have to be picked up.

11 There can be no more economic operation in
12 the handling of bulk goods, I should suppose,
13 anywhere in the world than this operation which I
14 describe.

15 We have heard something in the sessions of
16 the Commission about the marginal producers of
17 British Columbia -- some argument, calculated to
18 "wring the withers", but I, personally, shed no
19 tears in my beer.

20 I have in front of me the statement of
21 three of the largest B.C. corporations, which,
22 between them, move a very large proportion of
23 bulk commodities in the province. These cor-
24 porations are the Powell River Company Limited
25 in the newsprint business; British Columbia For-
26 est Products Limited; and MacMillan and Bloedel
27 Limited. I say not one word in derogation of
28 the merchant princes of the Pacific Coast, and
29 the great entrepreneurs in the Pacific Coast
30



1 industries. They are grand men. They are grand
2 Canadians. They have done a magnificent job in
3 the building of their province, and they have done
4 a magnificent job in the building of their country.
5 Therefore, all of us should hold their names in
6 honour.

7 Nevertheless, to talk about these operations
8 as being marginal and being threatened with
9 arrest or extinction -- "supposing something hap-
10 pens which might in time raise somewhat the cost
11 of shipping these bulk commodities" -- does not
12 impress me very much.

13 I go back to the British Columbian evidence,
14 and here I do not read from the record, but speak
15 from memory. Deponents before this Commission
16 acknowledged that something like 3 percent of the
17 delivered cost of the logs and pulp and so forth,
18 to be moved, might be represented by the cost of
19 hauling these goods. Again I speak from memory,
20 -- counsel for the Commission said, "Well now,
21 we are talking about a possible increase in the
22 these goods,
23 cost of moving/ as a result of restricting the
24 coasting trade, which may be of the order of 10
25 percent or something like that. If this figure
26 which you name, 3 percent, is a reasonably
27 correct figure, and if the Commission were to
28 recommend restriction and the Government imple-
29 mented that recommendation, so that the cost of
30 moving these commodities would be raised by 10



1 percent of the previous figure -- that is to say,
2 by something like .3 of one percent of the delivered
3 price of the commodity, would that make very much
4 difference to your capacity for marketing these
5 goods and remaining in business?"

6 I do not elaborate on this point: but I
7 recall to the Commission their own inquiries and
8 suggest here again, that there has been a good
9 deal more talk about marginal producers than the
10 realities justify.

11 Before I pass on, let me remind the Commis-
12 sion of another thing. That is, in reference to
13 the Pacific Coast as an essential location for
14 the maintenance of shipyards: essential to Britain,
15 no less than to Canada.

16 The great threat to the shipyards of
17 British Columbia, as members of the Commission know,
18 does not consist in the competition of cheaply
19 built British yards. Rather, it consists in the
20 importation of vessels bought at bargain sales
21 in the United States, largely but not altogether
22 because the United States Government has been
23 getting rid of war surplus vessels at any price,
24 which would get these craft off their hands in
25 quick time.

26 THE CHAIRMAN: Is that so at the present
27 time? I understood it was so until some recent
28 years, but there hasn't been anything imported
29 of recent years except hulks to be turned into
30



1 barges in British Columbia yards, the cost of the
2 reconstruction far exceeding the cost of the hulk,
3 which has been business for British Columbia
4 yards, and if it were not procured certainly would
5 not be duplicated in British Columbia yards because
6 no one would think of spending the necessary money
7 to build those barges new either in British Colum-
8 bia or Great Britain or any place else.

9 PROF. JACKSON: With great deference,
10 sir, the first of those two statements is obviously
11 so, and of course the more eager the United States
12 Government to get rid of its war surplus hulks,
13 the lower the selling price of ships' hulls, the
14 sharper the contrast between the trifling sum
15 which the buyer pays for the hull, and the price
16 he must necessarily pay to get that hull conditioned,
17 and have its contents taken out, in order that it
18 may become a barge in British Columbia waters.
19 But when you tell me that if these barges could
20 not have been procured by such means they would
21 not have been procured ---

22 THE CHAIRMAN: Well, I am not inventing
23 that. That was said in British Columbia.

24 PROF. JACKSON: I do not challenge for
25 a moment your own recollection of what was said,
26 sir. But surely statements made on one of the
27 richest coasts in the world by people who have
28 been doing a very profitable job on an increasing
29 scale for a very long time, to the effect that
30



1 if they could not have bought these hulls for
2 nearly nothing, they would not have procured them
3 at all -- these are the sort of statements which I
4 myself would not like to make in the presence of
5 a judge.

6 THE CHAIRMAN: Well, if it was a question
7 of not carrying on the trade unless they procured
8 the equipment, that would be a different matter,
9 but the trade was carried on before and after.
10 The use of the barge obtained at the cost that
11 it was obtained was simply more efficient than the
12 rafting system, but if the barge equipment had
13 cost three or four times, completed and ready for
14 work, what it did cost it would have been less
15 efficient than the rafting system.

16 PROF. JACKSON: If the barge had cost
17 three or four times that, it may have been less
18 efficient, but it is claimed by the ship-
19 builders that if they had built barges and
20 designed those barges for the needs of the
21 business they would have got barges which would
22 have been very much more efficient capital
23 instruments than the lock, stock and barrel
24 hulls imported from the United States, and it
25 seems to me -- let me say this humbly, with
26 great deference -- you have the word of the ship-
27 builders against the word of the buyers of those
28 hulls. I do not accuse anyone of bad faith ---

29 COMMISSIONER WICKWIRE: Someone has
30



1 fallen down in public relations if what you say
2 is so.

3 THE CHAIRMAN: I don't remember any
4 particular complaint from the British Columbia
5 shipbuilders as to those barges, for the simple
6 reason they had such large reconstruction jobs
7 on them.

8 PROF. JACKSON: Well, it is true, even
9 in the shipbuilding industry, that half a loaf is
10 better than no bread at all.

11 THE CHAIRMAN: Had they been successful in
12 defeating the importation of them I suggest they
13 would have no bread.

14 PROF. JACKSON: Well, I suggest that is a
15 very conditional remark.

16 THE CHAIRMAN: Well, there is very little
17 of this that we know. As I said very early in
18 our proceedings, we are going to have to have
19 some very clear crystal balls, and I am still of
20 that opinion notwithstanding all the elucidating
21 evidence we have heard in the meantime.

22 PROF. JACKSON: We have tried, sir, to
23 make no statements which we do not back with
24 documentary evidence. You said yesterday that
25 you could not take statements on oath because there
26 were so many matters of opinion mixed up with
27 what witnesses said. But virtually every state-
28 ment, I do believe, that has been put in by the
29 Shipbuilders' Association has a documentary
30



1 source which proves its authenticity, though the
2 maker of the statement was not sworn. I won't
3 dwell on the point; but it does seem to me that
4 we are in danger here of mixing positive statements
5 of fact along a very wide sector of the ground to
6 be covered by the Commission, with other statements
7 made by witnesses who could not establish fact,
8 and who therefore said things to the Commission
9 which the late President Roosevelt would have
10 described as being more than slightly "iffy". I
11 merely now draw the distinction between these "iffy"
12 statements and another kind of statement which is
13 "cold", and which can be substantiated without
14 any doubt whatever.

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23 (Page 5820 follows)
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1 But, sir, I have dwelt on all this at too
2 much length, and should apologize.

3 We now come to the Prairies on which we
4 have heard a great deal from a number of witnesses.

5 My mind goes back to the session in Toronto
6 where Dr. Hope proved to his own satisfaction, and
7 I do not comment on his economic analysis, that in
8 the pattern of traffic which one can expect in the
9 Great Lakes, after the canals have been deepened,
10 the Canadian bulk carriers looking for grain will
11 be compelled to carry Canadian grain down the
12 Lakes and St. Lawrence at bare cost with no pos-
13 sibilities of profit to themselves.

14 Other witnesses perhaps did not make quite
15 the same statement. But on the part of spokesmen
16 for the West, there has been great zeal to see
17 that the grain shipped shall be carried at the
18 least possible cost imaginable, no matter what
19 may be the surrounding circumstances.

20 I hope I shall not now be thought irrele-
21 vant if I bring in a consideration which at first
22 sight may seem somewhat remote.

23 There is in existence an agreement, the
24 Crowsnest Pass Agreement, as a result of which
25 the oldest fixed price in the world is the price
26 at which grain must be moved by rail out of
27 the Canadian West to the Lakehead. That price
28 has been fixed for 50 years, during which there
29 have been two world wars and various inflations,
30



1 and during which the levels of costs and prices
2 generally have increased between three and four
3 times.

4 As a result of it we have the curious para-
5 dox in this country. Western influence has
6 defended successfully this fixed price, which goes
7 back so long a time, while the rates of carriage
8 of goods in Eastern Canada have from time to
9 time raised and raised, and raised again, to the
10 point where the Prime Minister of this country
11 told the House of Commons not long ago, that we
12 have now reached the stage at which such rates
13 could be raised no more without killing the goose
14 which lays the golden eggs, and destroying the
15 traffic as fast as the freight rate per ton may
16 be raised.

17 There are now 150,000 members of the work-
18 ing force of our railways in Canada, demanding a
19 wage increase such as, in the light of wage increas-
20 es which other folk have actually received, look
21 not unreasonable. But on the grounds stated on
22 another occasion by the Prime Minister, so long
23 as Western grain rates remain fixed, we shall not
24 receive revenue from the railway traffic which
25 can satisfy these wage demands.

26 We see the paradox that a large part of
27 the population of the three Prairie Provinces,
28 and the great interests which speak for them, on
29 Monday, Wednesday and Friday, are strong champions
30



1 of the oldest fixed price in the world because it
2 keeps down the cost of transporting their products
3 by land; and on Thursday, Saturday and Tuesday
4 they are in favour of the fiercest of free compe-
5 tition, because (in their view) that will give
6 them cheaper water carriage of grain, than they
7 could possibly receive otherwise.

8 I won't comment further on that anomalous,
9 unsound, immoral situation, with which everyone
10 in this room is familiar.

11 I had the good fortune years ago to enjoy
12 the friendship of a very great man, John W. Dafoe.
13 He was a very blunt man, too. He said the most
14 biting things about his friends, but said those
15 things to their faces, not behind their backs. I
16 loved the old man. Looking at this curious paradox
17 today I cannot help asking myself what old John
18 Dafoe, if he were in this room (and who knows? --
19 he may now not be very far away from us) must be
20 thinking of this quaint, illogical position into
21 which the members of his constituency have gotten
22 themselves.

23 In England, in Yorkshire where I was born,
24 there is a proverb, "You cannot have your cake
25 and eat it", which I think explains itself. I
26 submit that no persons in history have ever made
27 a greater effort both to have their cake and eat
28 it, than the grain interests of the three
29 Prairie Provinces.
30



1 Now, sir, I am nearing the close, and you
2 will be thankful for that. But let me pause on
3 the "dollars for Britain" slogan. Here again we
4 have two exhibits which are numbered 97 and 98,
5 presented to the Commission, I believe, in Montreal.

6 This "dollars for Britain" slogan has been
7 repeated by a great many people. It was raised
8 first of all, I think, by Dr. Solomon at the session
9 at Winnipeg, and Dr. Solomon stated forthrightly
10 if we were to restrict the coasting trade as the
11 Shipbuilders' Association has asked Canada to do,
12 we should be reducing thereby the purchases of
13 Canadian wheat by Great Britain. Dr. Solomon
14 was quite sure on this point.

15 That first of the sessions at Winnipeg covered
16 so much ground, and lasted so long, I was not able
17 to question Dr. Solomon about his claim, till about
18 five minutes before the Commission was due to
19 rise. I thought when this occurred, that per-
20 haps I gained a little merit with the Commission
21 because I detained him only for five minutes and
22 not six minutes. In the result we were left in
23 this position. Dr. Solomon made a statement which
24 I declared to be not in accordance with the facts.
25 But I was not able, in the time at my disposal,
26 to question what he said.

27 This argument has come up many times, and I
28 think my learned friend Mr. Shepard said the
29 same thing in this room yesterday. It has been
30



1 talked about by another distinguished counsel who
2 appeared before the Commission, Mr. Dixon, and
3 here if I may say so, with reference to the million
4 words, or whatever the number, which have been
5 spoken before the Commission, some 1,500 have
6 been spoken by Mr. Dixon -- who spoke, I think,
7 for the British Steamship interests.

8 MR. DIXON: Excuse me, if I may say so,
9 Mr. Chairman, my friend is going well outside his
10 function. The Commission is not entitled to
11 criticize me because I have not talked a lot.

12 THE CHAIRMAN: The Commission is not criti-
13 cizing you. It is perhaps grateful to you.

14 PROF. JACKSON: Sir, it was far from my
15 intention to offer any criticism. I should have
16 been pleased if we could have heard more. That
17 is what I am endeavouring to say. I do very sin-
18 cerely apologize because what I seem to have con-
19 veyed is the precise opposite of what I intended
20 to convey.

21 My purpose was to say, with great sincerity,
22 that I listened to Mr. Dixon with pleasure and
23 wished he might not have stopped as soon as he
24 did on that occasion. I did not suppose he would
25 resent this observation, because he said some-
26 thing rather different on the subject of "dollars
27 for Britain", from what was said by Dr. Solomon
28 and other witnesses for the West. Mr. Dixon
29 did not state that to reserve the coasting trade
30



1 to Canada needs must cut down British purchases
2 of our wheat. He said it might. Of course, Mr.
3 Dixon was perfectly right because it might do
4 so but in effect, it will not.

5 I refrain from bothering you with figures
6 out of Exhibits 97 and 98, because Professor Kemp
7 is much more competent than myself to take the
8 Commission through the figures, if they so desire.
9 If the Commission wishes to take counsel outside
10 its own staff, I can think of nobody better quali-
11 fied than the head of the Research Department of
12 the Bank of Canada, to whom they might refer.

13 I will try to present the picture in broad
14 outline, with regard to Canada's exchange relation-
15 ship with Britain.

16 It has been pointed out by a number of wit-
17 nesses that so far as trade is concerned Britain
18 has for 65 years had a dollar deficit with Canada.
19 Yet Britain has not been going into debt with
20 Canada for these 65 years, and during a substan-
21 tial part of them has actually been investing in
22 Canada, far more money than her sales to Canada
23 could ever have financed. There is no mystery
24 about how this was done.

25 But in argument about this we go to statis-
26 tical records which are about as obscure as the
27 science of electronics: foreign exchange trans-
28 actions are, I suggest, not unlike electronic
29 impulses in the modern industrial economy. Behind
30



1 all these figures, here is the situation in Britain
2 as it is, and was, and I hope will be for a long
3 time, despite Joseph Stalin and all his successors.

4 I must of course over-simplify some of this:
5 but one cannot talk about international foreign
6 exchange relationships without at least some over-
7 simplification.

8 Let me picture Britain as engaged in a quadri-
9 lateral trade. She still trades on a great scale,
10 and did trade on a greater scale, with the Middle
11 and Far East. She trades on a great scale with
12 Canada and with the United States. The settle-
13 ment of Britain's balances has been similar,
14 basically, both in the long period of exchange
15 control which succeeded the war, but which may soon
16 end, and in the days when all foreign exchange
17 movements were free.

18 The situation has been for a long time that
19 Britain paid with sterling for tin from Malaya,
20 jute from Bengal and a dozen other staple products
21 of countries in the Far East, which all civilized
22 people need in very great quantities. The lar-
23 gest amounts are needed in North America because
24 here in North America we consume about half the
25 total of goods consumed in the free world. It
26 is a fact that we Canadians, and our neighbours
27 down south, consume almost as much as the rest
28 of the free world together.

29 When Britain buys these products with funds
30



1 which she has obtained indirectly, by selling her
2 own goods in the Middle and Far East, she is in
3 a position to take some part of these products
4 and sell them in Canada or the United States to
5 procure dollars: and having thus procured dollars,
6 she can use them as she pleases. But for the
7 existence of this quadrilateral system of exchange,
8 which I have over-simplified, Britain could never
9 have done what she has done in the past 65 years,
10 and met her trading deficits with Canada, taking
11 them in her stride.

12 But Britain has also now become dependent
13 on Canada for some products which she did not need
14 from us in the "palmy days". At one time she sold
15 a lot of coal to Canada, thus procuring dollars from
16 us directly. But now Britain cannot any longer
17 produce enough coal from her own coal mines for
18 the needs of her own people. Whether she might
19 produce enough, by following a different policy,
20 perhaps is no business of ours. But the fact is,
21 instead of being the greatest coal exporter in
22 the world, she now must import; and gets coal in
23 Canada, from DOSCO.

24 Bear in mind that you cannot spend a dollar
25 twice, any more than you can eat the same piece
26 of pie twice. If you must spend your dollars
27 on coal you cannot spend the same dollars on
28 wheat.

29 For the record, sir, I should add that
30



1 together with the dollars procured continuously by
2 Britain by means of her Eastern trade, Britain's
3 investment income in dollars, which I have not
4 mentioned, has always been and still is part of
5 the stream of dollars which has financed her direct
6 merchandise trading deficit with Canada.

7
8 So, sir, I do not think, though we love
9 Britain, the plea that we must not restrict the
10 coasting trade because dollars are needed for
11 Britain holds very much water.

12 I suggested to you this morning that Britain
13 needs Canada's shipyards. She has found herself
14 in a desperate position, twice in the present
15 century. Her own shipyards may be crippled for
16 a third time, and her Merchant Marine again be
17 sunk wholesale. In that event her life will again
18 depend on our Canadian shipyards, and on yards
19 across the border.

20 Now, sir, one last word. In these arguments
21 things are necessarily picked up and looked at one
22 at a time, industries are picked up one at a
23 time, provinces one at a time. I said earlier
24 today it seems to me, somebody must think for
25 Canada. Despite the pleading of sectional inter-
26 ests in this room, I can think of no men who
27 need more to think for Canada, than this Commis-
28 sion.

29 I suggest that they should contemplate
30



1 Canada, not quite as this land has been contemplated,
2 by some of the men to whom the Commission has
3 listened.

4 I suggest that in this tremendous adventure
5 in which we Canadians are engaged, opening up the
6 natural resources of a Continent, and living and
7 planning with 43 neighbours in this NATO chain of
8 alliances, to make possible the survival of us
9 all, we should not think of ourselves as a series
10 of little work forces, scattered here and there.
11 We compose a team of five and one-half millions of
12 people. When I roam about this great land, I
13 feel proud of membership in this team.

14 COMMISSIONER WICKWIRE: Which part of the
15 country are you talking about? Which part is the
16 five and one-half millions?

17 PROF. JACKSON: I speak of our entire
18 working force in the Canadian economy.

19 THE CHAIRMAN: Some housewives might dis-
20 agree with you; they might wish to be included.

21 PROF. JACKSON: The Dominion Bureau of
22 Statistics fortunately has made up its statistics
23 so one can quite easily add in the housewives,
24 and if that makes seven or eight millions, I will
25 talk to you about seven or eight millions quite
26 cheerfully: this constitutes, I believe, the
27 most wonderful team in the world. To these seven
28 or eight millions of Canadians falls the task of
29 opening up a Continent. We need to think about
30



1 the efficiency of our team, as a team.

2 Much has been said here about the system
3 of transportation, which is part of that tremen-
4 dously intricate economy which begins with ore
5 and all our other resources in the ground: and
6 ends with a variety of finished products delivered
7 to the ultimate consumer. Transportation is just
8 one part of our tremendously complex economy. We
9 may say truthfully that the efficiency of these
10 millions depends upon the efficiency of workers
11 considered as a team, with which each element in
12 the team -- quarterbacks and halfbacks and so
13 forth -- does its duty.

14 Mr. Lowery has talked in earlier sessions
15 about our capacity to move goods by water, most
16 vividly.

17 Last summer I went to Hamilton, to see the
18 Thunder Bay dock at Stelco. When I drove to the
19 dockside, the Thunder Bay was not yet tied up:
20 but already she was unloading fast. I myself was
21 on the ship before she was tied up. I lunched
22 aboard her: when I came off the ship, she was
23 much more than half unloaded. I drove down to
24 the Welland Canal. When I came back again, so
25 far as I remember, she was already gone to bring
26 back another cargo.

27 Now, the speed of any industrial opera-
28 tion in this country is limited by the efficiency
29 of the transportation system. Many of us
30



1 realize it is good business, if necessary, to pay
2 a little more for service and be through fast,
3 rather than to cheese pare here and there with a
4 view to saving a dollar; and perhaps, to lose more
5 ultimately by the loss of a good market, than the
6 dollar we save by these cheese parings.

7 Will you let me take a homely example from
8 the automotive industry? These factories, of
9 General Motors, Ford and Chrysler, obviously
10 can put cars on the market much more cheaply than
11 they now do. The reason why they refrain from
12 putting cheaper cars on the market is because
13 people would not buy such cars if they were put
14 on the market. The car which the public demands
15 is a package of service. The public wants a car
16 which will do certain things, which will have a
17 certain appearance, which will impress the family
18 next door; which can be serviced anywhere on the
19 North American Continent or in Europe.

20 We buy cars much more costly in terms of
21 dollars than we need to buy because instead of
22 making a fetish of cheapness we say, "This car
23 of mine is a package of service", and insist that
24 our car give us the service that we need. We
25 would rather pay more than a rock bottom price,
26 if necessary, to get a full package of service.

27 In my view some of the people who have
28 appeared before this Commission have made a fetish
29 of cheapness. They have failed to realize that
30



1 all trustworthy transportation is a package of ser-
2 vice. They have failed to recognize that equipment
3 such as will enable our economy to move at the
4 present fast rhythm, is equipment which must be
5 replaced, equipment of which we shall need more as
6 this country grows, equipment whose replacement
7 and expansion must be paid for.

8 I come back for a moment to the claim heard
9 in the West, that the deepening of the canals
10 without reservation to the coastal trade will be
11 a good thing, because it will compel the Canadian
12 coastal shippers to carry grain with no profit
13 to themselves. That claim, in the light of the
14 fact that ships must be replaced, that the tonnage
15 of shipping on the Great Lakes must somehow be
16 multiplied in the course of time by means of money
17 which must be found for that purpose (and most
18 of the money now spent for this purpose comes
19 from profits earned somewhere and ploughed back) --
20 that claim implicitly means that all Canadian
21 industries other than agriculture should bear
22 the cost of renewing and expanding the coasting
23 fleet of Canada: that a relatively small pro-
24 portion of Canadians who are in the business of
25 growing or dealing in grain, should be given a
26 free ride at the cost of everyone else, who needs
27 coasting transportation for other purposes.
28 That is a claim which Canadians in other trades
29 than the grain trade, can be trusted to repudiate.
30



1 For the third time, my sincere apologies.
2 Thank you for the privilege of letting me cover
3 so much ground.
4

5 ---A short recess.
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11 (Page 5845 follows)
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1 THE CHAIRMAN: Yes, Mr. Mundell?

2 MR. MUNDELL: Mr. Chairman, I have been
3 requested by Professor Jackson to file an exhibit
4 which is in answer to some inquiries by Commissioner
5 Wickwire. It will be Exhibit No. 235 and is
6 headed, "Bulk cargoes as a percentage of total
7 cargoes carried in the domestic waterborne
8 commerce of the United States (selected years,
9 1938 through 1952)".

10
11 ---EXHIBIT NO. 235: Document headed, "Bulk cargoes
12 as a percentage of total
13 cargoes carried in the domestic
14 waterborne commerce of the
United States (selected years,
1938 through 1952)".

15 THE CHAIRMAN: Canada Steamship Lines, Mr.
16 McLagan?

17
18
19
20 ARGUMENT BY CANADA STEAMSHIP LINES

21
22 ---Mr. T.R. McLagan, appearing:

23 MR. McLAGAN: Mr. Chairman, gentlemen of
24 the Commission, at this point of the hearing we
25 shall endeavour to be as concise as possible
26 and to avoid repetition. I have no intention of
27 going over the ground so ably covered by Mr.
28 Gerity yesterday. During this inquiry we have
29 undertaken much research in connection with the
30



1 investigation and I can assure you that the
2 officers of our company have made an honest
3 endeavour to place before you facts and figures
4 to back up our contention that the coastal trade
5 of Canada should be restricted to ships of
6 Canadian Registry and new additions to the coastal
7 trade after January first, 1957 should be built
8 in Canada.

9 I am not a lawyer, I do not quite under-
10 stand where rebuttal ends and argument begins,
11 I have a few remarks to make arising out of
12 Dr. Hope's remarks and Mr. Shepard's remarks and
13 if you deem that it is out of place here we can
14 mail them to you if you wish or say them here or
15 forget it, exactly what you wish.

16 THE CHAIRMAN: Proceed, we will stop you
17 if necessary.

18 MR. McLAGAN: I would say that there were
19 some unfortunate statements that shocked me
20 about inference of price fixing arrangements of
21 the Great Lakes and I noticed that you, Mr.
22 Chairman, have stated that the proper place
23 to make such statements was on Wellington
24 Street. Dr. Hope said that he had already
25 been there and I would like to say that if
26 he goes there I have no fear for my company
27 or myself because we made that statement in
28 our brief and we do not indulge in practices
29 which are detrimental to this country.
30



1 Before leaving this country I would like to point
2 out to you that shipping companies do deal with
3 the Wheat Board which is, after all, a collective
4 agency and a very big one and I would like you
5 also to know that the shipping companies do deal
6 with only one labour leader in this country and
7 it has been interesting to note that the wage
8 demands of this one man with whom we all deal are
9 115 per cent increase for 1956.

10 THE CHAIRMAN: I read that, they are dis-
11 astrous words for you to compete on a wage situation,
12 they are doing everything to worsen the situation.

13 MR. McILAGAN: I was going to add that if
14 there are powers that tend to raise wages it will
15 be the labour unions. It seems to me that the
16 shipping concerns do not have most of the marbles
17 when dealing with rights or with wages.

18 Now, with regard to comparative operating
19 costs, we believe our figures which were prepared
20 as accurately as we know how to do, definitely
21 show that on a cost basis the U.K. ships can
22 operate at less cost than can our Canadian
23 Upper Lakers. Our figures have been criticized
24 by Dr. Hope and by Mr. Shepard in their final
25 arguments. It is a pity they did not make
26 these criticisms during the rebuttal period
27 when we would have been delighted to have dealt
28 with them in detail and at length. Such, of
29 course, is not possible at this time. I believe,
30



1 however, that certain comments by us, at this
2 time, are both necessary and appropriate and
3 helpful. As to whether or not interest is properly
4 chargeable to costs can go on forever. But let
5 us remember that interest is a charge before tax,
6 let us also remember that money must be found for
7 new ships and 2-1/2 per cent interest can be
8 obtained from the Dominion of Canada Savings
9 Bonds without any effort or risk on the part of
10 the investor. In our company we do a great deal
11 of financing and we have not found anyone yet
12 who does not charge us interest and interest is
13 definitely a cost of operation. The fact that
14 it may not be considered so grew out of the war
15 when the government did not allow us to charge
16 interest to our costs because the government
17 said they would do all the financing. I think
18 that is where that idea originated and it certainly
19 has not lasted in private business. With regard
20 to the suggestion that only half of the capital
21 investment should be used in an analysis of
22 assets with, say, 20 to 30 years of
23 life because that is the average investment,
24 we cannot go along with such an argument.

26 The comparison that we made is based
27 on new ships and 1955 costs. If we are to
28 take average investments we should take average
29 costs and this would require estimating at
30 this time the probable wages, food bills,



1 repair costs, fuel costs, insurance rates for,
2 say, 20 to 30 years ahead. The return on the
3 investment would also require an estimation of
4 average freight rates for a like period. We, I
5 may say, do not feel capable at this time of
6 making any such forecast. Further, I might say
7 that if I was a banker and was approached for a
8 loan to build a new ship and the prospective owner
9 attempted to prove that the investment was worth
10 while by ignoring interest charges, applying
11 depreciation down to the rate applicable to some
12 actual estimated useful life of a ship, say, 35
13 years which Dr. Hope has used, and also calculating
14 the return based on today's costs and income
15 applied to only one-half of the amount borrowed,
16 I would say to Dr. Hope, "You will have to borrow
17 your money from someone else". I venture to say
18 that most people of my acquaintance would make
19 the same reply.
20

21 In his efforts to prove that we are
22 competitive with U.K. ships, Dr. Hope also
23 arrived at the strange calculation, I believe I
24 should eliminate this statement because I under-
25 stand he changed it this morning or informed me
26 so that he was going to explode Exhibit 200
27 and I understand the explosive has been removed.
28 Dr. Hope said, and I quote:
29
30



1 "I think it is important that I
2 "go over the figures again, because they
3 "explode Exhibit 200."
4

5 The final result is that despite the fact
6 that the length of depreciation has been calculated
7 to 35 years the interest charges have been deleted
8 and the profit calculated on one half the original
9 investment. The net result of Dr. Hope's own
10 efforts, his efforts, not ours, is to prove that
11 the U.K. ships would earn 20 per cent on the in-
12 vestment against 12 per cent on the Canadian
13 before tax. I remind you that tax is a very
14 important matter in our industrial life.

15 THE CHAIRMAN: Oh yes, but the U.K. ship
16 will also pay taxes.

17 MR. McLAGAN: Not to Canada, sir.

18 THE CHAIRMAN: That is not relevant to the
19 question whether it would be competitive or not.

20 MR. McLAGAN: The two figures will be the
21 same whether we use it before or after but
22 nevertheless in discussing the economics I
23 really think that taxes should be taken off
24 before we talk about the return on the in-
25 vestment. Any analysis of actual average ages
26 generally ignores the fact that Lake vessels,
27 many of which are far too old, die a natural
28 death while deep-sea vessels have had two
29 World Wars to severely cut down their number
30



1 and give incentive to a rebuilding program.

2 This is proved, of course, by looking at the
3 record of British shipbuilders before and after
4 both World Wars.

5 Apart from the actual length of time before
6 a vessel falls apart at the seams, age effects
7 efficiency due to obsolescence. For example, we
8 have shown how size effects efficiency and of course,
9 older vessels are much smaller than the new ones
10 which we are now building.

11 Mr. Shepard criticized our comparisons
12 because we did not load the Thunder Bay down to
13 25 feet 6 inches. The Thunder Bay is, of course,
14 full of wheat at 23 feet 9 inches and cannot be
15 loaded to 25 feet 6 inches. It can be loaded
16 with bulk on~~e~~ down to 22 feet 9 inches, that is
17 the nature of that ship.

18 Furthermore, we believe we should remind
19 the Commissioners that our figures were prepared
20 at their request and that they asked us to compare
21 the Thunder Bay type with possible U.K. competitors
22 and since there are only four Upper Lakers larger
23 than the Thunder Bay this really represents a
24 true average of the new giant Upper Lakers.

25 After insisting that all comparisons be
26 on an equal draught basis it was then suggested
27 that the Upper Laker used by the Manitoba
28 government could actually carry more than 825,000
29 bushels. If this were so we would not agree
30



1 that the ship we are speaking about could be built
2 in 1955 for \$5,500,000. Of course, the other
3 figures would change also. This particular ship
4 will cost a great deal more money today. We
5 know, because we are now asking for prices on
6 components and, for instance, the price of the
7 main turbines is up 30 per cent since the time
8 the steamship, the T.R. McLagan was built. In
9 any case, our figures shown on Exhibit 222 which
10 were filed with you give the comparative cost
11 for the T.R. McLagan and are almost what Mr. Shepard
12 wanted since the T.R. McLagan draught is about
13 25 feet.

14 The attempt to use the Dominion Marine
15 Association figures shows that our costs are
16 competitive with U.K. so also in our opinion
17 comparative since the four Upper Lakers used by
18 the Dominion Marine Association were built some
19 time ago and the costs which we compiled for you
20 were on a 1955 basis. Further than this, the
21 analyses were not made on a strictly comparative
22 basis, that is to say, the Dominion Marine
23 Association and our own. We are not criticizing
24 the Dominion Marine Association figures but they
25 were not exactly the same.

26 In examining our figures it should be
27 remembered that they are basically prepared to
28 show comparative cost differences. Calculated
29 profits based on these figures in connection
30



1 with the same assumed freight rates might be
2 misleading. Our figures are most conservative
3 and assume the vessels being fully employed for
4 the whole season. I remind you that when there is
5 no business on the Lakes, the Lake ships shut
6 down; the ocean ships are flexible and can go to
7 other parts of the world.

8 They, however, assume only normal delays
9 at loading and unloading points in the canals
10 and a normal time loss due to bad weather,
11 etcetera. Actually, the ships are not all fully
12 occupied year in and year out, for example, our
13 Upper Lake fleet lost the operating time in
14 1954 amounting to 1,115 shipping days, and to
15 give you such an example I quote the following
16 figures:

17	Hochelaga	-	120 days
18	Covedale	-	118 "
19	Goderich	-	125 "
20	Ashcroft	-	70 "
21	Westmount	-	91 "
22	Donacona	-	223 "
23	Lemoyne	-	223 "

24
25 I might say that this year, of course,
26 there has been a big upturn and I think one of
27 the ships was partially shut down. I would also
28 at this time say to you that 81 ship days were
29 lost just waiting to get into the Welland canal,
30 not going through the Welland canal.



1 Further, even when the ships are working,
2 ships in the ore or grain or coal trade frequently
3 lose time transferring from one to the other.
4 Time lost by canallers is on occasions staggering.
5 During October, November and December 1954 due to
6 congestion in the port of Montreal the canallers
7 spent 41 per cent of their operating time waiting
8 to discharge and as you know demurrage charges
9 are not allowed on the Great Lakes, therefore,
10 the rates that are in force do not cover all those
11 losses and must be absorbed. Upper Lakers also
12 lose an astounding amount of time, I will not take
13 up your time to read some of these trip report
14 sheets which I have brought with me, but on the
15 sheets we show the normal times and the actual
16 times and in these sheets some of the ships have
17 taken, due to delays in the grain movement, twice
18 as much time as they should.

19 Whilst on this subject we respectfully
20 remind the Commissioners that our comparisons
21 are all based on costs and costs will not necessarily
22 determine freight rates, particularly if we should
23 be put out of business. That is to say, when we
24 are out of business it does not say that the
25 lower cost of British ships will bring about
26 necessarily lower freight rates. For instance,
27 in the steel mills they have increased their
28 costs and directly increased their selling
29 price. In the shipping business on the Great
30



1 Lakes costs have gone up in 1955 but the selling
2 price of grain or coal or ore, that is the selling
3 price of carrying coal, grain or ore, has not
4 risen. Costs have gone up in the package freight
5 business and actual freight rates have gone down
6 this year. Before I leave this subject I feel
7 that I should draw your attention to the Railway
8 Act, Section 468 and it should have been drawn
9 to your attention perhaps before.

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29 (Page 5870 follows)
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Take DD 1
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MR. McLAGAN (continuing): This Section 468

is a method of subsidizing the railways for lower
freight rates to Western Canada. They subsidize
the railways but the ships, which were under
the same jurisdiction, were forgotten. The
Section goes by the heinous name of "bridge
subsidy" because in the last paragraph of 468 it
said the subsidy was given to cover the higher
maintenance costs over the bridge from Sudbury
to Fort William. Thus the railways were forced
to reduce their rates to Western Canada and re-
ceived a subsidy for it. They still have the
high maintenance, thereby taking us back to the
same starting point. They still have the bridge
subsidy with a high maintenance cost, and our
ships have had to operate at a considerable loss
in revenue due to the subsidization of the
railways.

I would further comment that if the
Canadian coasting trade is not restricted, as we
have requested, and if the reason is due to the
belief that there will actually be fractional
savings in freight rates based on our compara-
tive cost analysis, we would emphasize the fact
that these calculated differences are all
based upon the present differential existing with
regard to U.K. building and operating costs;
and there is no guarantee that these differen-
tials will be maintained indefinitely, and any
closing of the gap or strengthening of the



1 sterling area or rise in costs in the U.K. may
2 well result in U.K. costs achieving a parity
3 with Canadian. Thus if Canadian ships cannot
4 compete, it may be, when this gap closes, we will
5 be back where we were before without our own
6 ships.

7 By this time it would probably be too late
8 to recall our vessels, and we would have sacri-
9 ficed our Maritime industry to no purpose.

10 Referring again to Dr. Hope's comments,
11 we have contended that the U.K. vessels could ob-
12 tain business in the winter, and he wonders what
13 business, and further thinks that they could not
14 compete with the Ore Chief.

15 If there was only one carrier, of course,
16 in the world, that would be the case, but the Ore
17 Chief is on a specialized run and there is all
18 kinds of ore available for smaller ships
19 travelling from other parts of the world. For
20 instance, if you consult the Iron Ore Company
21 shipping ore out of Seven Islands at the present
22 time they will tell you there is a shortage of
23 ocean ships of around 20,000 or 25,000 tons
24 to carry ore into British and Continental ports
25 where their unloading facilities could not
26 possibly handle ships of the size of the Ore
27 Chief.

28 The Ore Chief is built for a specialized
29 run from Venezuela to the New American Steel
30 plant and, as I have said, there is plenty of



1 ore right now available in winter to be trans-
2 ported from Venezuela, Liberia, Scandinavia,
3 Peru, Chile and Brazil. Thus there is no lack
4 of business for the kind of ships we have submitted
5 by Exhibit 200.

6 Further, the vessels are not restricted
7 to carrying ore. Some of them can carry general
8 cargo, grain, coal, bauxite, etc., and vessel "G"
9 can carry oil in the winter when the demand is
10 the greatest.

11 One of the new Iron Ore Company ships
12 coming out of England, although it is too big
13 for the Seaway, is being built to carry oil
14 as well as ore.

15 Now, I do not like to appear too personal
16 in my comments, but this matter is of the greatest
17 importance to us. It has been said by Mr.
18 Shepard that he is sorry that Mr. Lowery inferred
19 that Dr. Solomon attempted to mislead the Com-
20 mission in quoting almost \$3½ million as the
21 price of a ship which can actually be purchased
22 in our opinion for \$2,150,000. What Mr. Lowery
23 really said was that the figures were misleading
24 providing, of course, that the Commission be-
25 lieved them.

26 None of the detailed make-up of our
27 figures has been attacked, nor have the design
28 details. The device of comparing old Dominion
29 Marine Association costs with a new British
30 vessel, the reduction in carrying capacity of



1 that vessel and the increase in the purchasing
2 price of the U.K. ship are attempts, in our
3 opinion, to prove the impossible.

4 We believe that the case, therefore, that
5 the Canadian Lake vessels cannot compete with the
6 U.K. ocean vessels has been completely proved.

7 There is, of course, always the other per-
8 son's point of view. I have not very much more
9 to say about these figures, but if the members
10 of the Commission wish to consult with us for
11 further explanation to them, or wish us to con-
12 sult cost or technical specialists of their own
13 choosing in the field of ship operation or ship
14 design, we shall, of course, be very glad to co-
15 operate in every way possible.

16 Our final general conclusions on this in-
17 quiry are as follows:

18 As far as I can see, all parties giving
19 evidence before you agree on the necessity of
20 having cheap transportation on the coasting
21 and inland waters. Again, all parties agree
22 that the new Seaway should bring new benefits
23 to the Canadian economy in the form of lower
24 transportation costs. All parties do not under-
25 stand, however, that there are ancillary pro-
26 blems other than the digging of the Seaway
27 which, if not solved, will negate some of the
28 expected savings.

29 We have drawn to the attention of this
30 Commission the nature of these problems, and



1 in particular, Exhibit No. 99 dealing with the
2 poor facilities at the City of Montreal. I may
3 say the Shipping Federation of Canada, who was
4 represented here this morning, are wholeheartedly
5 in accord with Exhibit No. 99. Anything this
6 Commission can do to force the attention to
7 these problems which we have enumerated will go
8 a long way towards achieving these lower trans-
9 portation costs which everyone so earnestly
10 desires.

11 Again, most parties agree, including some
12 of our friends in the Prairies, whom I may say are
13 among our best customers, and as a businessman
14 if there are no customers, there is no business;
15 they all agree that a vigorous Canadian Great
16 Lakes fleet is a necessity for Canada.

17 Again, no one has stated that it would
18 be in the best interests of Canada to destroy
19 the Great Lakes fleet by rendering it unprofit-
20 able and leave the carriage of bulk products
21 solely to U.K. or other vessels.

22 Again we believe, as I have said, we
23 have proved that availability of ships and de-
24 pendability of service during the relatively
25 short period of navigation is a prime require-
26 ment of shippers in Canada's inland waters, and
27 certainly I have heard no one put in any evi-
28 dence to the contrary that this is not a prime
29 requirement.

30 We believe also that it is evident today



1 that, through competition on the Great Lakes and
2 modernity of equipment, the grain shippers are
3 enjoying low freight rates.

4 Grain rates in the year which has just
5 closed have not risen, whereas the ocean rates
6 have increased very rapidly. In short, it appears
7 that the Canadian shippers are receiving more
8 consideration from their own inland vessels than
9 from their ocean ships.

10 We are confident that we have offered con-
11 clusive proof, as I have said before, that U.K.
12 ships, for the reasons we have enumerated, would
13 be able to operate in the Great Lakes more
14 cheaply than our own.

15 We know that it is controversial what a
16 new ship costs. We have done the best we can
17 to convince you. We again refer you to the
18 United States Maritime Commission, who have had
19 to study these differentials for payment of the
20 subsidy and if, as I say, there is any further
21 figuring we can do for you, we shall be glad to
22 do so, although you have access to British
23 shipbuilders for such information.

24 Certainly we have not seen any evidence
25 put forward at this inquiry which has proved
26 the contrary to be the case from these figures
27 which we have submitted. We have shown that
28 the fractional savings which can be offered by
29 U.K. ships have little influence on the end
30 product.



1 Again, the low return on capital to the
2 Canadian ships is such they will not be able to
3 stand up against the competition which is possible
4 from U.K. ships.

5 We remind you that companies and industries
6 in this country can fall very quickly. In the
7 last several years we have witnessed one great
8 Canadian industry go down under foreign competi-
9 tion.

10 We contend that if Canadian ships become
11 unprofitable, they will eventually cease to
12 operate. In such an event our inland coastal
13 trade will be left in the hands of others, and this
14 state of affairs may well bring about a rise in
15 freight rates rather than a lowering of freight
16 rates, due to the scarcity of ships that will
17 result.

18 We remind you that when ships cease to
19 operate, it is not long before the work force dis-
20 perses and is lost, and that the equipment breaks
21 up or deteriorates. Even the laying up of a
22 ship for one year involves us in a colossal cost
23 to rehabilitate it.

24 Some have argued that U.K. crews will
25 demand that their wages be equalized with those
26 paid to Canadians while they are in our waters.
27 Well, from many years of experience I have
28 noticed that wherever differentials exist, labour
29 insists that they be maintained. It is quite
30 possible if U.K. crew rates were increased to the



1 present Canadian standards, that the Canadians
2 would demand a further increase. I also remind
3 you that ---

4 THE CHAIRMAN: I thought you had already
5 told us your labour costs were tied to similar
6 labour costs?

7 MR. McLAGAN: No, I did not, sir.

8 THE CHAIRMAN: I think that has been the
9 whole basis -- I have said on many occasions,
10 and I said it even today, it would seem that labour
11 is not as efficient in shipping or shipbuilding
12 as it is in other things. Why should it get the
13 same wages as it does in other things; while you
14 say, when we are forced to hire them we must
15 compete on the labour market with the other users
16 of labour and pay the same rates. Now you say,
17 we are not going to pay the same rates. We are
18 going to pay so much higher than foreign com-
19 petition.

20 MR. McLAGAN: No, I did not say that, sir.
21 I said, from years of experience in this country
22 wherever differentials exist the labour leaders
23 insist they be maintained. I would fear that
24 they would take the same attitude. I also
25 do not agree that our Canadian labour is not ef-
26 ficient.

27 THE CHAIRMAN: I did not say that.

28 MR. McLAGAN: As efficient perhaps.

29 THE CHAIRMAN: It is not, though.

30 MR. McLAGAN: My statement was ---



1 THE CHAIRMAN: According to your own
2 statement this morning, Mr. Lowery said your
3 labour is not as efficient in building a ship or
4 operating a ship as it is in other industries
5 because it cannot take advantage of machine pro-
6 cedures.

7 MR. McLAGAN: Does that apply particularly
8 to shipbuilding?

9 THE CHAIRMAN: This applies particularly
10 to shipbuilding, but I suggest to you that surely
11 there must be some similarity also in ship opera-
12 ting.

13 MR. McLAGAN: I remind you, Mr. Chairman,
14 that our big ships only employ 31 men, whereas
15 the British ships have 36. Also, there is on
16 file in Ottawa a report of a British Naval Attache
17 who went up last year on one of our ships and
18 was astounded at the way they were operated by
19 such a few men, and he wrote a report to the Ad-
20 miralty about it. We are not on shipbuilding,
21 but I have strong opinions about the quality of
22 our men, in my judgment, relative to the amount
23 of work we have to do, we have an extraordinarily
24 vigorous and able force.

25 THE CHAIRMAN: The point to which I was
26 referring was your fear that if the United
27 Kingdom seamen wages moved up to the Canadian
28 level, the Canadian labour organizer would
29 attempt to move the Canadian wage up to the
30 same difference that the U.K. are now.



1 I suggest to you, no matter how powerful these
2 labour organizers are, that would be one feat
3 beyond their ability.

4 MR. McLAGAN: You may be right, but the
5 principle involved is that wherever differentials
6 have existed in industry we have not been able
7 to lower them. I also would like to remind you
8 or point out one more matter.

9 COMMISSIONER WICKWIRE: Where is the end
10 of it, Mr. McLagan, for business?

11 MR. McLAGAN: I do not know where the end
12 is.

13 COMMISSIONER BELANGER: Is there a differ-
14 ence between the wage rate paid on the Great Lakes
15 between American and Canadian vessels?

16 MR. McLAGAN; I was just going to counter
17 that by saying those who say that British crews
18 will not operate in the Great Lakes unless they
19 receive Canadian wage rates, we do have the
20 spectacle now of Canadians operating in and out
21 of ports side by side with Americans who are get-
22 ting very much higher wages.

23 THE CHAIRMAN: They cannot get in there
24 to get it themselves.

25 MR. McLAGAN: Well, they have the same
26 labour leaders. I think we are on the way to
27 equalizing it. We travel into Alouise, for
28 instance, side by side with the same ships and
29 the same crews. Yet our men have been doing
30 this for years at considerably less wages. I



1 believe there is a movement underfoot to equalize
2 these wages.

3 THE CHAIRMAN: There is throughout the
4 whole of the labour forces, not only in reference
5 to the seamen. Anybody in the automotive trade
6 will tell you their difficulties as to that.
7 Perhaps the chief cause of all the strikes in
8 recent years in the automotive industry is that
9 attempted equalization of American wages.

10 MR. McLAGAN: We do not need to go to
11 the automotive trade to find out the difficulty,
12 Mr. Chairman.

13 I have one more to deal with now. Finally,
14 I have to say this: that our company believes
15 that the coastal ships should be built in Canada
16 and we do not so advocate just because we own
17 some shipyards. It costs us just as much to
18 build our own ship as it does our competitor's,
19 unless we are more efficient than our shipbuilding
20 competitors, although I am sure they would deny
21 that such is the case.

22 We do not believe it is consistent to
23 come before you and ask for protection against
24 more cheaply operated U.K. vessels, and at the
25 same time ask that we continue to be permitted
26 to import, free of duty, United Kingdom-built
27 ships. It is not, in my view, a consistent
28 viewpoint.

29 COMMISSIONER WICKWIRE: Would the other
30 ship operators take that same view, Mr. McLagan?



1 MR. McLAGAN: Well, some of them do. They
2 are split down the middle.

3 COMMISSIONER WICKWIRE: Some of them want
4 the right to purchase ships in the United King-
5 dom?

6 MR. McLAGAN: Yes. Some want jam on
7 both sides.

8 THE CHAIRMAN: Are there ship operators
9 who do not also control shipbuilding businesses?

10 MR. McLAGAN: Captain Misener is one.

11 THE CHAIRMAN: Does he not control any
12 shipbuilding?

13 MR. McLAGAN: No.

14 THE CHAIRMAN: He used to get them built
15 very quickly at one particular shipyard, Mr.
16 McLagan.

17 MR. McLAGAN: If I may disagree with you,
18 sir. I know he gets them built quite slowly
19 and I can prove that, if you would like me to do
20 so, and more expensively.

21 We reiterate, therefore, that for many
22 reasons, as stated before this Royal Commission,
23 we think it is unthinkable, absolutely unthink-
24 able that Canada should allow her shipbuilding
25 industry to die. We know it costs more, but
26 there is a price to be paid for being a Canadian.
27 Mr. Howe made that remark clear in Alberta the
28 other day. I am one of those who pay. We pay
29 more for automobiles. We pay more for a great
30 many things. Our wives, of course, can shop



1 cheaper in New York, but when you pay the trans-
2 portation costs and pay the hotel bills and get
3 a complete accurate accounting I doubt if the
4 costs are any cheaper.

5 COMMISSIONER WICKWIRE: There are a very
6 small proportion who can take their wives to New
7 York and pay transportation costs and hotel bills.

8 MR. McLAGAN: I did not say "take".

9 Mr. Chairman, this is all I have to say.
10 I thank you very much indeed for the consideration
11 which you have shown me, shown the officers of
12 our company. This investigation has been very
13 instructive to all of us from Canada Steamship
14 Lines. We hope we have been constructive. We
15 hope that in due course, you will recommend the
16 measures which we have placed before you on the
17 first page of our brief.

18 Thank you very much.

19 THE CHAIRMAN: Thank you, Mr. McLagan.

20 COMMISSIONER BELANGER: I have one
21 question on which I am not too clear, about this
22 difference in wages between U.K. crews and Canad-
23 ian crews and Canadian crews and American crews.
24 If I am mistaken I would like you to correct
25 me. There is a difference today between the
26 wages paid to U.K. crews and Canadian crews in
27 the St. Lawrence where both Canadian-registered
28 and built ships and British ships are plying.
29 There is also a difference in the Lake where you
30 are competing, to some extent, with American



1 boats, and is this difference narrowing or does
2 it maintain the difference? I mean, for example,
3 on the Great Lakes. I understand that your
4 union wants to raise them to the American level,
5 but at the same time the American union wants to
6 maintain the same disparity. Am I right or wrong
7 in saying that?

8 MR. McLAGAN: That is what it appears to
9 us.

10 COMMISSIONER BELANGER: You said that?

11 MR. McLAGAN: At the present time the
12 demands for 1956 amount to approximately 115 per-
13 cent. The British crews operate very much cheaper,
14 as you know, but there have been people come
15 before this Commission who have stated that
16 when the British crews stay in our waters they
17 will demand the same as Canadians. I do not
18 think they have any proof that that is so. I
19 do not know whether they will or not. We have
20 evidence that British crews are now operating
21 over here and they are not receiving Canadian
22 wages. Does that answer your question?

23 COMMISSIONER BELANGER: So if I under-
24 stand you correctly, it is a race; each one
25 trying to equalize the other, but never equali-
26 zing each other?

27 MR. McLAGAN: It looks as if we are in
28 a race, yes. We have a lot of company.

29 THE CHAIRMAN: Well, we will adjourn
30



1 until 10 o'clock tomorrow morning.

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3 ---Whereupon the Commission adjourned at 4.35 P.M.

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ROYAL COMMISSION ON COASTING TRADE

VOLUME 17

PART F

Report of Ottawa sittings
commencing January 4, 1956.

ARGUMENT

January 11, 1956

pp. 5885 to 5993



ROYAL COMMISSION ON COASTING TRADE

Unofficial Translation of
the Argument by Mr. Arthur
Simard on behalf of Marine
Industries Limited as con-
tained in Volume 17, Part F
of the Royal Commission on
Coasting Trade, pp. 5886 to
5891.

Supreme Court Reporters
145 Yonge Street
Toronto



1 Unofficial Translation of the Argument by
2 Mr. Arthur Simard on behalf of Marine
3 Industries Limited as contained in Volume 17
4 Part F of the Royal Commission on Coasting
5 Trade, pp. 5886-5891.

6 MR. SIMARD: We of Marine Industries Limited believe,
7 in the light of past events, that the shipbuilding
8 industry has played an important part in the history
9 of this country, in time of peace as in time of war.

10 The discoverers of this country were sailors.

11 It was by developing a shipbuilding industry
12 in Canada that the sons of those sailors built the
13 economy of this country.

14 Whenever our mother countries, whether France or
15 England in turn, were in danger, they turned to Canada
16 to supply them with the ships and men necessary to win
17 the victory.

18 When Canada passed under English domination, it
19 was British colonial law that was applied in this
20 country as elsewhere in the British Empire.

21 Canada has evolved since that time and we have
22 passed from childhood through adolescence to our
23 present adult status; but that growth was slow and
24 difficult and its course was beset with obstacles.

25 By the Statute of Westminster in 1931, Canada's
26 autonomy and independence were recognized officially.

27 The same year, there was an agreement, known
28 as the British Commonwealth Shipping Agreement, by
29 which each participating member conceded to the
30 others the right to carry on coasting trade in its
territory, with the privilege, however, of terminat-



1
2 ing the treaty on certain conditions mentioned in
3 the agreement.

4 It is to conform with that agreement that our
5 Canada Shipping Act grants British ships the
6 privilege of carrying on the coastal trade in our
7 country.

8 The British ships, it is true, have not taken
9 full advantage of that privilege, any more than
10 Canadian ships have gone to engage in coasting trade
11 on the shores of England.

12 So Canada, because of its geographic position,
13 had to develop its own coasting trade, from which
14 came its shipbuilding industry; but heaven knows at
15 what cost in effort and at what risk.

16 Then came World War II: England was vulnerable
17 and the future of the British Empire was in peril.

18 British missions came to America one after
19 another imploring Canada and the United States to
20 create a shipbuilding industry capable of supplying
21 the ships to transport the men and materials
22 necessary for winning the war.

23 The task was a Herculean one, but it was
24 accomplished in admirable fashion.

25 The Second World War had some disastrous
26 effects, but it made Canadians and Canada's
27 possibilities known, a fact which brought our
28 country the industrial and economic growth which
29 is still surpassing all expectations.
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Then Canada and the United States came to an agreement to remove a natural obstacle and open up to shipping the very hearts of their respective countries, a project which at the same time would furnish them with hydro-electric power necessary for industry.

Another historical event was the entry of Newfoundland into Confederation.

This calls for a study of our economy and a review of Canada's policy.

We have a shipbuilding industry which has proved itself and which is located at various strategic points in this country.

That industry has trained an expert labour force which has settled in the various places where the industry is located.

Canada needs its shipbuilding industry for its defence, as in the development, construction, repair, conversion and maintenance of the Royal Canadian Navy.

Canada needs its shipbuilding industry in order to be able to repair any foreign ships which might suffer damage in its waters.

In making this study we found that by abolishing the privilege granted to British ships to carry on the coasting trade in Canada we would ensure the survival of our shipbuilding industry, so essential to our defence and our economy.

What were the chief grounds for objection



1 presented before this Commission against the
2 abolition of this privilege of British ships?

3 1. The Wheat Producer. At present, the inland
4 wheat traffic is carried by Canadian ships and one of
5 the effects of the St. Lawrence Seaway will be to save
6 transshipment en route, which will necessarily
7 reduce the cost by allowing coasting traffic from
8 the head of the Great Lakes as far as the St. Lawrence
9 River ports and the Atlantic ports in large ships
10 commonly called "lakers".

11 2. The British interests will be deprived of
12 Canadian funds with which to buy from us.

13 England, in the future as in the past, will buy
14 from Canada only if the prices are lower than those
15 of the other world markets.

16 3. The Maritime Provinces. The competition
17 which the railways give the shipping companies will
18 always serve to maintain reasonable rates on both
19 sides.

20 4. Newfoundland. This new province which has
21 been in existence scarcely six years has already
22 developed considerably and I am sure that if the
23 privilege accorded to British ships of engaging
24 in the coasting trade in Canada were withdrawn,
25 you would immediately see the shipbuilding industry
26 develop in that province and elsewhere, and several
27 shipping companies would not hesitate to invest the
28 necessary capital to build ships adequate for their
29 trade and to establish regular lines between the
30



1 various ports on the mainland and in Newfoundland.

2 Now let us take a look at the serious consequences
3 that will follow if we maintain the privilege of
4 British ships to engage in the coasting trade in
5 Canada.

6 Insecurity of the Canadian Shipping Companies.

7 (a) These companies will automatically cease adding
8 new ships to their fleets, something which the
9 building of the St. Lawrence Seaway has made necessary.

10 (b) These companies will always have to operate at
11 rates based on their costs, while British ships will
12 always have a lower rate that is unrelated to their
13 costs;

14 (c) Transfer of Canadian coasting vessels to the
15 British flag, as we have seen recently for the ocean
16 fleet.

17 The economic structure of Canada's shipping is
18 at the mercy of the British economy, with all the
19 disadvantages that that may entail, such as political,
20 economic and labour troubles, fluctuations of the
21 pound, etc.

22 I cannot understand how Canadians, in the hope
23 of making competition work in their favour, are
24 ready to run those risks which seem to us unavoidable,
25 rather than having confidence in their fellow
26 countrymen and their own government's policy.

27 Insecurity of our Export Trade.

28 Canada, being an exporting country, must
29
30



1 necessarily deal with its customers, the countries
2 which import our products.

3 Do you think that those countries will look
4 favourably on a privilege granted to British ships,
5 to their detriment, and do you not think that, seeing
6 British ships carrying on an exclusive trade in
7 coasting in Canada, they will not bring pressure to
8 bear asking for the same privilege in return for
9 their purchases from us, if only for the reason of
10 obtaining Canadian funds? A privilege to a country
11 as to a person always makes others jealous and
12 dissatisfied.

13 Insecurity of the Shipyards.

14 Whereas Canada cannot build ships for the same
15 price as foreign countries;

16 Whereas Canada can no longer compete with foreign
17 ships in the international shipping trade;

18 Whereas Canada cannot any longer rival British
19 ships in the coasting trade;

20 Therefore, the shipyard employees will leave
21 their jobs to go and look for greater security in
22 other branches of industry; the employers will try to
23 save what they can, by attempting to convert their
24 industries, and that will be their reward for a
25 lifetime of hard work and effort to leave to
26 their country what they had created.
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E R R A T A

Volume 17, Part E, page 5821, line 19:

For "450,000"

Read "150,000"



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WEDNESDAY, JANUARY 11, 1956

---Upon resuming at 10.10 A.M.:

THE CHAIRMAN: Yes, Mr. Gerin-Lajoie?

MR. GERIN-LAJOIE: Mr. Chairman, the order of appearances is as shown in the schedule: Marine Industries Limited, Canadian Ship Owners Association, Newfoundland-Great Lakes Steamship Co. Limited and a fourth which was missing in the notice to the committee, The Committee on Newfoundland Coasting Shipping. The first one will be Marine Industries Limited, Mr. Arthur Simard is appearing for the company.

THE CHAIRMAN: Yes, Mr. Simard?

ARGUMENT ON BEHALF OF MARINE INDUSTRIES
LIMITED

---Mr. Arthur Simard, appearing.

MR. SIMARD: Mr. Chairman and honourable members of the Commission, we of Marine Industries Limited are very thankful to the members of this Commission to have taken some of their valuable time to come and visit our establishment at Sorel. My family has devoted a whole life in building this industry of which we are so proud, and we believe that we have grounds and reasons to preserve it for what it has done in the past and, I am sure, will do in the future.

Now, with your permission, Mr. Chairman, I would like to carry my argumentation in French.



1
2 Nous, de Marine Industries Limited, considérons,
3 à la lumière du passé, que l'industrie maritime a joué
4 un grand rôle dans l'histoire de notre pays, aussi bien
5 en temps de paix qu'en temps de guerre.

6 Ce sont des navigateurs qui ont découvert notre
7 pays.

8 C'est en développant une industrie maritime
9 au Canada que les fils de ces navigateurs ont bâti
10 l'économie de notre pays.

11 A tour de rôle, au cours de notre histoire
12 canadienne, chaque fois que notre mère-patrie, que ce
13 soit la France ou l'Angleterre, s'est vue en danger,
14 elle a eu recours au Canada pour lui fournir les
15 navires et les hommes nécessaires pour remporter la
16 victoire.

17 Lorsque le Canada est passé sous la domination
18 anglaise, c'est la loi britannique pour les colonies
19 qui fut appliquée chez nous comme ailleurs, dans
20 l'empire britannique.

21 Le Canada a évolué depuis cette époque et nous
22 sommes passés de l'enfance à l'adolescence, pour
23 atteindre l'âge adulte que nous avons aujourd'hui;
24 seulement cette croissance fut lente, difficile et non
25 sans rencontrer de nombreux écueils.

26 C'est en 1931, par le Statut de Westminster, que
27 l'autonomie et l'indépendance du Canada est reconnue
28 officiellement.

29 La même année, il y a une entente connue sous le
30 nom de British Commonwealth Shipping Agreement, par
laquelle les membres participant à cette entente se
concèdent mutuellement le droit d'exercer le cabotage
dans leur pays, avec toutefois le privilège de mettre

1
2 fin à ce traité à certaines conditions mentionnées
3 dans l'entente.

4 C'est pour se conformer à cette entente que
5 notre loi de la Marine marchande accorde le privilège
6 aux navires britanniques d'exercer le cabotage dans
7 notre pays.

8 Il est vrai que les navires britanniques n'ont
9 pas pris pleinement avantage de ce privilège, pas plus
10 que les navires canadiens ne sont allés faire du
11 cabotage sur les côtes d'Angleterre.

12 Alors, le Canada, de par sa position géographique,
13 a dû développer lui-même son cabotage, d'où son indus-
14 trie maritime, mais Dieu sait au prix de quels efforts
15 et de quels risques.

16 Arrive la deuxième guerre mondiale: l'Angleterre
17 est vulnérable et l'avenir de l'empire britannique est
18 en péril.

19 Des missions britanniques viennent en Amérique
20 les unes après les autres et supplient le Canada et
21 les Etats-Unis de monter une industrie maritime capa-
22 ble de fournir les navires pour transporter les hommes
23 et le matériel nécessaires à gagner la guerre.

24 La tâche est gigantesque, mais elle fut accom-
25 plie d'une façon admirable.

26 Cette deuxième guerre a eu des effets désastreux,
27 mais elle a fait connaître les Canadiens et les possi-
28 bilités du Canada, ce qui a valu à notre pays l'essor
29 industriel et économique qui renverse encore tout ce
30 que l'on pouvait imaginer. C'est alors que le Canada
et les Etats-Unis en viennent à une entente pour enlever
un obstacle naturel au transport maritime jusqu'au
cœur même de leur pays respectif, en leur fournissant



1
2 du même coup un pouvoir hydro-électrique nécessaire à
3 l'industrie.

4 Autre fait historique: Terre-Neuve vient faire
5 partie de notre pays.

6 Ceci entraîne une étude de notre économie et
7 une révision de la politique canadienne.

8 Nous avons une industrie maritime qui a fait
9 ses preuves et qui est située à différents points
10 stratégiques de notre pays.

11 Cette industrie a entraîné une main-d'oeuvre
12 experte qui s'est établie aux différents endroits où
13 cette industrie est localisée.

14 Le Canada a besoin de son industrie maritime
15 pour sa défense nationale par le développement, la
16 construction, la réparation, la conversion et le
17 maintien de sa marine royale canadienne.

18 Le Canada a besoin de son industrie maritime
19 pour réparer les navires étrangers qui peuvent subir
20 des avaries dans ses eaux.

21 En faisant cette étude, on constate qu'en enle-
22 vant le privilège accordé aux navires britanniques de
23 faire du cabotage au Canada, nous assurons la survivance
24 de notre industrie maritime, si essentielle à notre
25 défense et à notre économie.

26 Quelles furent les objections principales pré-
27 sentées devant cette Commission contre la suppression
28 de ce privilège aux navires britanniques?

29 1. LES PRODUCTEURS DE BLE? Présentement, le
30 cabotage du blé se fait par des navires canadiens et
un des effets de la canalisation du Saint-Laurent est
d'éviter le transbordement en cours de route, ce qui va
nécessairement réduire le coût, en permettant le



1
2 cabotage de la tête des Grands Lacs jusqu'aux ports
3 du Saint-Laurent et de l'Atlantique dans des gros
4 navires communément appelés "lakers".

5 2. Les intérêts britanniques seront privés de
6 devises canadiennes pour acheter de nous.

7 L'Angleterre, dans l'avenir comme dans le passé,
8 n'achètera au Canada que si les prix sont inférieurs
9 à ceux des autres marchés mondiaux.

10 3. Les Provinces Maritimes.

11 La concurrence fournie aux compagnies de navi-
12 gation par les chemins de fer servira toujours à
13 maintenir des taux raisonnables de part et d'autre.

14 4. Terre-Neuve.

15 Cette nouvelle province qui a à peine six ans
16 d'existence a déjà pris un essor considérable et je
17 suis assuré que si le privilège accordé aux navires
18 britanniques de faire du cabotage au Canada était
19 retiré, vous verriez immédiatement l'industrie mari-
20 time se développer dans cette province comme ailleurs,
21 et plusieurs compagnies de navigation n'hésiteraient
22 pas à investir les capitaux nécessaires pour cons-
23 truire des navires adéquats pour leur commerce et
24 établir des lignes régulières entre les différents
25 ports de la terre ferme et Terre-Neuve.

26 Voyons maintenant les conséquences graves que
27 vont entraîner le maintien d'un privilège aux navires
28 britanniques d'exercer le cabotage au Canada.

29 Insécurité des compagnies canadiennes de
30 navigation.

31 a) Celles-ci vont cesser automatiquement le
32 renouvellement de leur flotte, nécessité par la
33 canalisation du Saint-Laurent.

1
2 b) Celles-ci devront toujours opérer à des
3 taux basés sur leur coût; alors, les navires britanni-
4 ques auront toujours un taux inférieur n'ayant aucune
5 relation avec leur coût;

6 c) Transfert des navires canadiens de cabotage
7 au pavillon britannique, comme nous l'avons vu récem-
8 ment pour la flotte océanique.

9 L'économie du transport maritime au Canada à
10 la merci de l'économie britannique, avec tous les
11 inconvénients que cela peut présenter, tels que trou-
12 bles politiques, économiques, ouvriers, fluctuations
13 de la livre sterling, etc., etc.

14 Je ne comprends pas que des Canadiens, dans
15 l'espoir de faire jouer la concurrence en leur faveur,
16 soient prêts à courir ces risques qui nous semblent
17 inévitables que de donner confiance à ses compatriotes
18 et à la direction de son gouvernement propre.

19 Insécurité de notre commerce d'exportation.

20 Le Canada étant un pays exportateur doit né-
21 cessairement traiter avec ses clients, les pays
22 importateurs de nos produits.

23 Croyez-vous que ces pays voient d'un bon oeil
24 que l'on accorde un privilège aux navires britanniques,
25 à leur détriment, et ne croyez-vous pas que, voyant
26 les navires britanniques exercer un commerce exclusif
27 avec le cabotage au Canada, ils ne mettent pas de
28 pression pour demander le même privilège, en retour de
29 leurs achats chez nous, même si ce n'était que pour la
30 seule raison d'obtenir des devises canadiennes. Un
31 privilège, à un pays comme à une personne, fait toujours
32 des jaloux et des mécontents.



Insécurité des chantiers maritimes.

Voyant que le Canada ne peut pas construire de navires à prix égal pour les pays étrangers;

Voyant que le Canada ne peut plus concurrencer avec les navires étrangers dans le transport maritime international;

Voyant que le Canada ne peut plus rivaliser avec les navires britanniques dans le cabotage;

En conséquence, les employés des chantiers maritimes délaisseront leur emploi pour aller trouver plus de sécurité dans d'autres branches de l'industrie; les employeurs tâcheront de sauver ce qu'ils peuvent, en essayant de transformer leur industrie, et ce sera la récompense d'une vie de labeur et d'efforts pour laisser à son pays une industrie qui l'avait mis au monde.

(Page 5900 follows)



1 THE CHAIRMAN: Je vous en remercie, Monsieur
2 Simard. The Canadian Shipowners Association.

3
4
5
6 ARGUMENT ON BEHALF OF THE CANADIAN
7 SHIPOWNERS ASSOCIATION

8 ^{W.J.}
9 ---Mr. J.W. Fisher, appearing.

10 MR. FISHER: Mr. Chairman and Commissioners,
11 I am again appearing on behalf of the Canadian
12 Shipowners Association.

13 I will first of all argue that further
14 restrictions in the coastal trade are not needed and
15 not suitable to enable the inland waters shipping
16 industry to meet the competitive challenge it will
17 be faced with when the Seaway is opened and that in
18 any event such restrictions may defeat their avowed
19 purpose and I will conclude my remarks with a dis-
20 cussion of the defence concept on which so much
21 of the proponents' case for complete closure of the
22 coasting trade of Canada to Canadian-registered
23 and Canadian-built vessels, relies. I have also
24 two suggestions to offer which, in my opinion,
25 are worth careful consideration as alternatives
26 to the completely restrictive measures that have
27 been so ably advocated before this Commission,
28 should, of course, your decision be to recommend
29 some additional measure of protection for the
30



1 two industries concerned.

2 At the outset let me briefly restate our
3 position on the matters before you. For this
4 purpose I would like to quote a few lines from
5 the preface to our original brief:

6
7 "The Association contends that the
8 "maintenance of sufficient Canadian-
9 "controlled and operated shipping services
10 "and their attendant shipbuilding and ship
11 "repairing facilities, adequate to insure
12 "that waterborne transportation services to,
13 "from and within Canada cannot be exploited
14 "by foreign competitors for Canadian overseas
15 "and domestic trade and which will be avail-
16 "able in times of emergency (when non-
17 "Canadian services may not be), is a
18 "national responsibility the costs of which
19 "(if any) should be borne by the nation as
20 "a whole and not by any particular section
21 "of the country, nor made an enforced burden
22 "on users."

23 "Ways and means should be found to
24 "support these industries if and when
25 "necessary, but in the considered opinion
26 "of this Association, more restrictive
27 "measures are not the proper method. It
28 "would not be, therefore, in the national
29 "interest to make any such changes (as
30 "have been recommended) in the present



1 "statutes governing the coasting trade of
2 "Canada."

3
4 As you know, we have listened to a good deal
5 of the evidence pro and con which has been presented
6 and we have also studied a great deal of the
7 testimony and the exhibits. We have ~~not heard~~
8 or read anything which causes us to modify our
9 original opinion. We still submit that it is not
10 in the interests of the Canadian economy to recom-
11 mend any changes in the present laws and the regu-
12 lations thereunder governing the coasting trade of
13 Canada.

14 May I digress at this point for a moment to
15 discuss two points in the evidence which I think
16 are of doubtful validity.

17 Firstly, it has been reiterated on several
18 occasions that competition in the Great Lakes
19 trades is keen and has even been described as
20 "fierce". I have grave doubts that this is actually
21 so in practice and I do not think the evidence
22 supports this premise. May I refer to Exhibit
23 No. 227, a table showing lake freight rates, Fort
24 William to Montreal. It will be observed that over
25 the last eight years there have only been five
26 changes in the rates, other than those set as
27 maximums by the Board of Grain Commissioners,
28 the first in May, 1954 when the rate is shown
29 as declining 1.3 cents per bushel, in June to
30



1 14.3 an additional .4 cents per bushel, July a
2 reduction of .6 cents per bushel, August .2 cents
3 per bushel, and then again in November, 1924
4 when an increase of .3 cents per bushel is shown.

5 THE CHAIRMAN: 1954.

6 MR. FISHER: Yes, 1954. Throughout the whole
7 of 1955 the rate showed no change. The headings to
8 this table show over the particular column I am
9 referring to, that the rates quoted thereunder
10 are the weighted average. I suggest gentlemen,
11 when one looks at the practices of the trade, this
12 is not a weighted average at all but an actual rate.
13 I do not suggest that this is by agreement. I
14 think it is more a question of "following the
15 leader" but it certainly suggests some tacit under-
16 standing. I suggest that this "fierce" competition
17 is no more than active solicitation between brokers
18 themselves or between brokers and the Wheat Board
19 for cargoes. Of course this may be a misunder-
20 standing in a definition of terms. In the shipping
21 business, as we know it, competition consists of
22 actually bidding for each fixture. Where cargoes
23 are plentiful and shipping space scarce, an
24 operator who has a vessel in a prompt position
25 can generally obtain a small premium over the
26 currently quoted market. Conversely when cargoes
27 are scarce and there is a plentiful supply of
28 shipping, an operator with a vessel in a prompt
29 position will accept a discount under the current
30



1 rate. These day-to-day and fixture-to-fixture
2 fluctuations make the market and are in the end
3 reflected in the wide variation in ocean-going rates
4 about which so much has been said in these hearings.
5 I am not discussing or questioning the theory of
6 the desirability of stabilized freight rates, I
7 am merely questioning the so-called "fierce"
8 competition, and I am wondering if under the
9 monopolistic conditions which the Great Lakes
10 shipping industry is now seeking, the alleged keen
11 competition will provide the lowest cost trans-
12 portation so important to the national interest.

13 Another related point is the laying up of
14 lake vessels when cargoes are scarce. In their
15 original submission, Canada Steamship Lines made
16 reference to the laying up of vessels in 1954 and
17 yesterday Mr. McLagan gave some more details as
18 to the actual number of days several of their vessels
19 were out of service. I have been unable to
20 ascertain whether or not other companies also were
21 required to lay up some of their vessels. I
22 suspect this might be so as I am sure Mr. McLagan
23 would not admit that his operations were too
24 costly and that it paid him better to lay up
25 rather than reduce rates to encourage more traffic,
26 which would be a natural assumption if his
27 competitors were able to find enough traffic
28 to keep their vessels in full operation. If,
29 on the other hand, other competing companies
30



1 in the Great Lakes also laid up a percentage of
2 their fleet, does this not suggest that by some
3 tacit understanding each company withdraws from
4 service a given proportion of its tonnage so that
5 the available cargoes may be distributed equitably
6 amongst all the companies in the trade? I do not
7 know, but I suggest it might be interesting to
8 the Commission to ascertain the position.

9 THE CHAIRMAN: Well, why did you not ask?
10 You were here as counsel when the statement was
11 made.

12 MR. FISHER: The statement, as I recall it,
13 was made yesterday and --

14 THE CHAIRMAN: Oh no, that was made before
15 yesterday.

16 MR. FISHER: I regret that it escaped me.
17 Should the situation develop as I suspect, would
18 this not suggest some negation of the normal
19 forces of free and open competition?

20 The second point I wish to draw to your
21 attention is in connection with the Exhibits No.
22 221 and 230 I filed Tuesday and Wednesday of
23 last week -- statistics showing the size of
24 the Mercantile Marine of the United Kingdom
25 and Northern Ireland over the last fifty years.
26 I do not think it an overstatement to say that
27 the principal concern and even fears of the
28 shipping proponents for complete closure of
29 our coasting trade is that when the Seaway is
30



1 completed, United Kingdom operators will seize the
2 opportunity to build special-type vessels for the
3 Great Lakes and St. Lawrence River trades and
4 with their much cheaper operating costs, drive
5 Canadian operators out of business. We do not
6 think that this fear is well-founded, certainly
7 not a distinct possibility supported by facts.
8 Such a probability has been attacked by many who
9 have appeared before you on a variety of grounds.
10 I wish to touch on only one aspect. We do not
11 deny that U.K. shipping operators will be in-
12 terested in the Great Lakes and St. Lawrence
13 River trades after the Seaway is in operation.
14 However, to really dominate the trade and to drive
15 all the Canadians out necessarily means that United
16 Kingdom operators are prepared to enter these
17 trades in a big way, to supplant some 70-odd
18 vessels of over 700,000 deadweight ton. Allowing
19 for the increased carrying capacity and efficiency
20 of modern vessels, this would mean something
21 around forty or fifty of the so-called multi-
22 purpose vessels aggregating some 600,000 dead-
23 weight tons on a 25 foot 6 inch draught or some
24 twenty-five to thirty vessels of the T.R. McLagan
25 class which would be captive in the Canadian
26 trades. In respect to the multi-purpose vessels,
27 the operators would have to be ensured off-season
28 employment. We doubt if this is as easy as is
29 imagined on an open market basis particularly
30



1 for the number of additional vessels seeking off-
2 season employment. It will be noted on reference
3 to the latter table that despite the fifty vessels
4 transferred from Canada in between 1950 and 1954,
5 there has been a decline each year since 1949 in
6 the number of vessels registered in the British
7 Isles despite the fact that the total number of
8 merchant vessels throughout the world shows a
9 consistent annual increase. I suggest that this
10 decline in the U.K. Merchant Marine could be due
11 to the lack of seafaring personnel to man more
12 ships. It would appear that this situation is
13 also of concern to the United Kingdom authorities
14 when they exempt young men who will take to the
15 sea, from compulsory military service. The point
16 I wish to make here is simply that it is fallacious
17 to assume that there is going to be such a rapid
18 increase in the United Kingdom Mercantile Marine
19 as would take over and dominate the Great Lakes
20 coastal trades. The facts just do not support
21 such a conclusion. In any event, with the
22 prosperous conditions and full employment now
23 prevailing in the United Kingdom, to substantially
24 expand the intake of manpower into the merchant
25 service would require considerably added in-
26 ducements with probably increased wages which
27 would of course narrow if not eliminate the
28 present competitive advantage in operating costs
29 of a U.K. manned vessel.
30



1
2 At this stage, I want to touch very briefly
3 on a principle inherent in the proposals now before
4 you for closing the coasting trade of Canada to
5 Canadian-built and registered ships. We think
6 these proposals are self-defeating and in the long
7 term will fail in their purpose. I touched on
8 this feature of the proposals at the initial
9 sessions of this Commission in Ottawa. I think
10 it is an important principle and worth repeating.
11 In the field of transportation, I know of no
12 instance where monopolistic practices have served
13 their original purpose. Given a monopoly in any
14 particular field of activity in transportation,
15 the insistent demands of labour, the lack of any
16 will or incentive to resist will eventually price
17 a transportation medium out of its own market.
18 For instance, to grant a monopoly to Canadian
19 lake shipping and shipbuilding interests for the
20 provision of all our water-borne domestic trans-
21 portation would, of course, only serve to
22 perpetuate a high-cost industry. To be more
23 specific -- I do not think it will be denied
24 that a very substantial part of the grain move-
25 ment out of the lakehead is for export. The
26 loss of a large part of this traffic would
27 materially change the whole complexion of the
28 domestic Great Lakes shipping industry. It
29 could easily happen. Let me illustrate.

30



1 In periods of high ocean freights there will be
2 little incentive for the deep-sea operator to
3 proceed any further inland than the financial
4 return justifies. Under such conditions, domestic
5 Great Lakes shipping will have a free hand, subject
6 only to the control of rates exercised by the
7 Board of Grain Commissioners.

8 On the other hand, when ocean rates are low,
9 the high rate structure which the domestic lake
10 shipping industry will have created (and I suggest
11 that with a monopoly of the coasting traffic these
12 rates will always be high) will look most attractive
13 to the deep-sea operator and he will use his best
14 endeavours to extend his voyages further and further
15 into the Lakes. I can envisage that under these
16 conditions and during that part of the season
17 suitable for ocean-going vessels, a large proportion
18 of the export grain traffic will move out of the
19 Lakehead in ocean-going bottoms direct to its
20 overseas destinations. It is true this could
21 happen even without the benefits of the monopoly
22 which has been proposed but, in spite of the
23 competition it must inevitably face without
24 the monopolistic conditions, I have every confidence
25 the Great Lakes shipping industry will have the
26 resiliency to so adjust and adapt itself to the
27 new situation that the possibilities I have just
28 suggested will become much more remote.
29
30



1 Considerable evidence has been placed before
2 you to enable a relation to be made between ocean
3 and lake freight rates by comparing cost per ton
4 mile on the movement of grain from the Lakehead
5 to Kingston on the one hand and the movement of
6 grain from Montreal to the United Kingdom on the
7 other hand, or by comparing the estimated cost
8 per ton mile of a British ship operated on the
9 Lakes and that of a Canadian Laker. I suggest that
10 no valid conclusions can be drawn one way or the
11 other from such comparison. I would respectfully
12 warn the Commission against drawing any firm
13 conclusion from it. The present situation out of
14 which these figures have been produced will be
15 materially changed once the Great Lakes are opened
16 to deep-sea ships. The costs per ton mile of the
17 ocean ships on its voyage from Montreal to the
18 U.K. can never be an accurate indication of its
19 costs per ton mile on the Lakes and the relative
20 competitive position of the ocean ship and the
21 lake ship will be affected by many other factors
22 particularly if the Lake ship should no longer
23 be a captive one. It should not be overlooked
24 that the opening of the Lakes to direct ocean
25 vessel services will create a competitive
26 climate to which the Lake operators will have
27 to adapt themselves in any event.

28 May I now offer some observations on the
29 question of national defence which in our view
30



1 is the only possible grounds on which any further
2 protective measures can be justified.

3
4 Yesterday I listened with a great deal of
5 interest to Professor Jackson's very able contri-
6 bution on defence and I can agree wholeheartedly
7 with his principles though I might disagree with
8 the mechanics which he suggests. Professor
9 Jackson deprecated his ability to speak and mentioned
10 his only contact with the military service was as
11 an acting Lance Corporal. supernumerary to the
12 establishment, unpaid. I think he is doing himself
13 an injustice in that. However, a considerable
14 amount has been made of expert testimony on this
15 Commission and if I may be permitted a personal
16 reference which may add to the testimony I am
17 about to give now, as an aura of something as
18 expert, I was Director of Transportation for the
19 Canadian army during the war, I was ^{from 1941 to 1946, I was Director} head of the
20 Traffic Branch of the Canadian Maritime Commission
21 (and for two years I was privileged to act as
22 Deputy Transport Controller for the areas which,
23 I am sure my friends from the Great Lakes will
24 not object when I say the rates were the greatest
25 on the Lakes. My principal duty was the control
26 of Lake tonnage. I also had the privilege of
27 being the Canadian member for the Planning Board
28 for Ocean shipping. Therefore, even though I
29 do not speak with any expert testimony I hope I
30 can speak with a little knowledge on the subject.



1 In the first place, it will be appreciated
2 that with the completion of the Seaway, the Great
3 Lakes will for most practical purposes abecome an
4 adjunct to the high seas. Therefore, it is reasoned
5 that except in one respect, which I will mention
6 later, the Great Lakes shipping industry, and here
7 I would like to make a clear distinction between
8 shipping and shipbuilding on which I will also
9 presume to offer some comments a little later, will
10 be in the same position defence-wise as the ocean-
11 going shipping industry. Assuming this premise to
12 be correct, the defence reasoning which applies
13 to Canadian ocean-going shipping will also apply
14 to Canadian shipping on the Great Lakes.

15 I thought, in the circumstances, it would be
16 of interest to the Commission if I briefly outlined
17 the position in which the ocean-going segment of the
18 Canadian shipping industry now finds itself and
19 the reasoning on which, so far as we have been
20 able to ascertain, government policy is based.

21 At the conclusion of World War II the
22 Canadian Government was the possessor of a very
23 substantial merchant fleet. These vessels were
24 sold to Canadian companies with the declared
25 intention of retaining this fleet under private
26 ownership. For this purpose rigid regulations
27 were imposed preventing the fleet from passing
28 out of Canadian control. I think the best
29 indication which I can furnish as to government
30



1 policy is contained in the preamble to the
2 Replacement Agreement which reads as follows:

3
4 "Whereas the said ship was sold by
5 "His Majesty to the Shipowner on a deferred
6 "payment basis with the object of creating
7 "and developing a privately-owned Canadian
8 "ocean-going Merchant Fleet operated by
9 "Canadians for the benefit of Canada at
10 "large; and

11 "Whereas it was considered desirable
12 "in the public interest that such privately-
13 "owned and operated ocean-going merchant
14 "fleet be maintained under Canadian flag."

15 This declaration of policy has been sub-
16 scribed to by a Minister of the Crown at least
17 one hundred times.

18 When it became evident about five years
19 ago that this fleet could not operate on Canadian
20 Registry with Canadian crews and costs and in the
21 limited trading field available without some
22 protection, the purchasers commenced discussions
23 with the Government seeking some help or relief.
24 The outcome of all these discussions can be
25 summed up in a few words. The present defence
26 and economic concept does not now embrace the
27 need for any Canadian-flag ocean-going shipping.
28 The reasoning on which this conclusion is
29 arrived at can be summarized as follows:
30



1 On purely economic grounds that while
2 overseas exports play a substantial if not major
3 role in the gross national product, (that is, the
4 margin between prosperity and depression) such
5 exports are principally raw materials and semi-
6 processed primary products which our overseas
7 customers must have. The purchasers of our exports,
8 being mainly shipping nations themselves, will
9 always find the means of transporting their needs
10 and it is better that they should. Protection
11 or assistance for a Canadian ocean-going Merchant
12 Marine, and it is freely admitted that a truly
13 Canadian industry cannot survive in normal inter-
14 national competition without help, would require
15 substantial public funds. Such help would tend
16 to increase costs of our exports, thus reducing
17 their competitive advantage. The same line of
18 reasoning applies to Canadian imports. The
19 supplying nations being shipping nations them-
20 selves are also better able to provide the trans-
21 portation of our imports. By supplying the
22 transportation ourselves, we deprive these
23 countries of a source of dollar income with
24 which to purchase more of our exports.

25 On defence grounds the reasoning stems
26 from the theory of collective defence. It is
27 inconceivable, in the official mind, that
28 Canada would find herself engaged in any major
29 conflict on her own, therefore, she can safely
30



1 rely on her defence partners to supply the shipping
2 services she herself lacks. Each member in the
3 partnership, which at present is exemplified by
4 the North Atlantic Treaty Organization, should
5 undertake to contribute to the joint effort those
6 things it is best able to provide. Insofar as
7 Canada is concerned, deep-sea shipping is not one
8 of these. To ensure that the best possible use is
9 made of the partners' shipping resources, the
10 North Atlantic Treaty Organization has established
11 a Planning Board for Ocean Shipping from which
12 Canadian needs are to be met.

13 As Canadians primarily concerned with ocean-
14 going shipping, such economic theories are quite
15 contrary to all our previous experiences. They
16 (the official minds) in effect admit that Canada
17 is better served by being the "hewers of wood and
18 drawers of water" for the rest of the world. It
19 is difficult to understand this thesis in the
20 light of Canadian post-war development. The
21 defence thesis assumes, of course, that any
22 future outbreak of hostilities on an international
23 scale can only be in the form of an atomic war
24 and that time will only permit the use of those
25 weapons and means of protection which are already
26 in existence. Large movements of forces and materiel
27 with their subsequent logistic support and relief
28 programs are not contemplated. Neither will it
29 be necessary to step-up and maintain at a high
30



1 level the productive machinery of this country.
2 It further assumes that there will be no renewal of
3 the economic warfare which played such an important
4 part in previous large-scale hostilities, and
5 that the shipping resources controlled by our
6 defence partners will be adequate to supply all
7 our needs.

8 However, our concern with this defence
9 concept is not connected with the logistics of
10 moving and supporting troops and their materiel.
11 It is the defence of the economy that concerns us --
12 the movement of essential imports and exports
13 required to keep our economy operating, our population
14 sustained and with a standard of living which is of
15 their own making, not that of some other persons
16 who may control the world's sinews of water-borne
17 transportation.

18 In a war of attrition, which can just as
19 well happen as a war of extinction, Canada might
20 well find herself in serious difficulties wherein
21 she would no longer be able to exercise
22 effective control over her own economy.

23 In the light of this reasoning we think
24 it desirable that Canada should retain in her
25 inland waters, even though they are open to
26 ocean-going ships, adequate shipping resources
27 just as we think it desirable that she should
28 have under her control at least a nucleus ocean-
29 going industry. However, we cannot agree that
30



1 the way to do this is by conferring a monopoly
2 on this segment of the country's shipping resources.
3 It is for this reason that we oppose the complete
4 closure of the Coasting Trade of Canada to Canadian-
5 built and Canadian-registered vessels. However,
6 in view of the fact that it is not presently
7 contemplated that inland shipping will be part of
8 any international pool, there may be some justification
9 for national defence measures.

10 At the outset of my remarks, I indicated I
11 would offer an alternative which would meet these
12 defence needs -- an alternative which we think
13 meets most of the objections to complete closure
14 and which will not be a burden on the public purse
15 nor on the users of the services. I suggest that
16 this Commission might well consider, if consid-
17 eration on methods for preserving Canadian-
18 controlled shipping on the Great Lakes is thought
19 desirable for defence purposes, recommending that
20 the inland waters of Canada as defined in the
21 Canada Shipping Act be generally restricted to
22 Canadian-owned Canadian or Commonwealth-operated, and
23 and registered vessels. The implications of
24 such a change in our coasting laws are quite
25 far reaching but in our opinion not nearly
26 as impossible or fantastic as many people may
27 think. It has the merit of preserving the
28 necessary competitive media thus ensuring
29 that the benefits of the Seaway will not be
30



1 lost in monopolistic practices and at the same
2 time preserve for Canada, through control of the
3 corporate structure, the facilities to protect
4 this important transportation link.

5 The economic and defence policies now being
6 applied to the shipping industry by parity of
7 reasoning can just as logically be applied to the
8 shipbuilding industry. They are, in our opinion,
9 just as fallacious. While we can agree that the
10 industry may need some help, probably much more
11 so than the Great Lakes shipping industry, again
12 we do not agree with the methods which have been
13 proposed, primarily for the same reason, that
14 it is not in the national interest to give any
15 industrial undertaking in Canada a monopoly market
16 for its products. As I have tried to demonstrate
17 earlier this is a self-defeating mechanism. It
18 would seem to us that a far better way to maintain
19 this industry would be to broaden the market
20 for its products. This brings me to my second
21 suggestion, a government sponsored shipbuilding
22 program for the ocean-going segment of the
23 shipping industry. Given the proper economic
24 climate, there is a potential shipbuilding
25 program for Canadian-owned ocean-going shipping
26 of some forty to fifty vessels spread over the
27 next ten years. I suggest that this would do
28 two things. First, provide a building program
29 which will succeed the naval building program
30



1 now nearing its completion. Secondly, help reduce
2 the overhead costs in Canadian shipyards, which
3 are such a large proportion of its over-all costs,
4 so that it would be in a better competitive
5 position to build for lake operators.

6 We, as an association, on behalf of the
7 Canadian deep-sea shipowning industry are now dis-
8 cussing with the government, measures for revising
9 the Replacement Plan and for certain incentives,
10 which I might say do not include a direct subsidy
11 (that has already been asked for and denied) which
12 we believe will tend to overcome, in part at least,
13 the economic disadvantages of building ocean-
14 going vessels in Canadian shipyards for account
15 of Canadian owners. Some of these incentives
16 can benefit lake operators and might to a similar
17 extent overcome on their account some of the cost
18 differentials in new tonnage that they will have
19 to contend with after the Seaway is completed.

20 I do not propose to outline the details
21 of these two suggestions at this time, but should
22 the Commission see any merit in either or both
23 of them, we would be only too glad to furnish
24 all the information we can on how we think they
25 can be made to work to the over-all advantage
26 of Canada.

27
28 There was one unanswered question which
29 I had hoped we would have the answer for you
30 but unfortunately it was one I had to refer to



1 our naval architects and it was impossible to get.
2 They are so busy building ships abroad which we
3 think is a sad state of affairs and we have not
4 been able to get our replies ready. We do hope
5 in a week or so to have something to offer you.
6

7 I wish to offer my thanks to you, Mr.
8 Chairman, and the Commissioners and the entire
9 staff for their courtesy and forbearance and
10 for the attention you have paid to me. This is
11 the first time I have ever had to appear before
12 a Commission of any kind. Thank you.

13 THE CHAIRMAN: Thank you very much, Mr.
14 Fisher.
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ARGUMENT ON BEHALF OF NEWFOUNDLAND-
GREAT LAKES STEAMSHIPS LTD.

---Mr. H. L. Rowntree, appearing.

MR. ROWNTREE: Mr. Chairman and members of the Commission, you will recall that the Newfoundland-Great Lakes Steamships Limited filed its brief as No. 70 and brought evidence before the Commission at the sittings in St. John's, Newfoundland on July 27th, 1955. May I recall to your minds some of the pertinent facts about this Company.

It operates a direct service principally between Newfoundland and the Great Lakes industrial area. It commenced its operations immediately following Confederation of Newfoundland as the tenth Province of Canada - namely, 1949. Negotiations leading up to the establishment of the service were commenced at the instigation of the Canadian Maritime Commission. The company at present operates three vessels in the service between Newfoundland ports and the Great Lakes all of which are vessels of United Kingdom Registry, owned by United Kingdom interests and chartered by this company.

The ships are the Motor Vessel Lunan, the Motor Vessel Perth and the Motor Vessel Dundee, this latter ship having a cubic of 175,000 cubic feet of which 45,000 cubic feet constitutes



1 refrigerated space in six compartments with the
2 possibility of some three different temperatures.

3 The Motor Vessel Dundee was designed and
4 built for this particular service having in mind
5 the characteristics which I have noted, and lends
6 itself to the types of cargo and commodities which
7 are shipped from the Province of Newfoundland.

8 Further, there are a total of some five
9 vessels of United Kingdom registry presently
10 engaged in this service, but from its commencement
11 in 1949 until 1953, Newfoundland-Great Lakes
12 Steamships Limited was the only company offering
13 a direct water service between Newfoundland and the
14 Great Lakes area with respect to package freight.
15 The company I represent is a Canadian corporation,
16 incorporated pursuant to the laws of Newfoundland.
17 The company is only now emerging from the period
18 of establishment, and its President, Mr. C. H.
19 Tregenza, testified before the Commission in St.
20 John's, Newfoundland as to the financial results
21 to date and the prospects for the future. This
22 company is not a member of any steamship conference
23 nor is it a connecting or participating carrier
24 with either of the railways in what is called the
25 all-rail route, nor does this company receive any
26 subsidy from any Government body to assist it
27 from a financial point of view in maintaining the
28 service. This company is primarily concerned with
29 the transportation by water of package freight,
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1 although from time to time it has carried bulk
2 cargoes between United States and Canadian ports
3 within the Great Lakes to which I will refer later.
4

5 It will be apparent that this company has been
6 closely connected with Newfoundland since Confederation
7 and indeed was the first company to establish
8 a regularly scheduled direct water service between
9 Newfoundland and the large ports within the Great
10 Lakes, involving as it does the carriage from
11 Newfoundland of the products of that Province
12 and the transportation to that Province of the
13 staple products from the Great Lakes Industrial Area
14 which Newfoundland requires.

15 This Commission has already heard in some
16 detail the thorough and able arguments presented by
17 The Honourable P. J. Lewis on behalf of Newfoundland
18 and Mr. Frank Smith on behalf of the Maritime
19 Transportation Commission speaking for the Maritime
20 Provinces as a whole. It will come as no surprise
21 to this Commission when I say that I subscribe to
22 the arguments advanced by them.

23 The evidence which has been advanced to
24 this Commission indicates that this particular
25 trade involves certain characteristics. In most
26 situations involving rail and water transportation
27 as alternatives, the service offered by the water
28 carrier usually involves a longer time for the
29 movement than the railways, but in this instance,
30 the evidence is that movement by water between



1 the Great Lakes and Newfoundland is the faster of the
2 two means of transport. It has also been stated
3 that what is described as "The frequency of sailings"
4 is an important matter. This has to do with the
5 volume of tonnage available for carriage, and it
6 was Mr. Tregenza's view, and I know of no evidence
7 to contradict him that the size of the present
8 vessels used by this company appeared to be most
9 suitable for this particular trade. The use of
10 larger ships with their resulting economies would
11 not be practical because in the present situation
12 and I submit within the foreseeable future, there is
13 not sufficient tonnage available on any one sailing
14 to fill a larger ship; and if the ship owner were
15 to hold that larger ship until a sufficient cargo
16 had accumulated, the frequency of sailings would be
17 lessened, and the needs of the shippers and
18 consignees would not be adequately met, bearing in
19 mind the prevalent practice of consignees,
20 distributors and other agencies maintaining low
21 or small inventories.

23 In considering the position of this company,
24 using as it does vessels of United Kingdom registry,
25 it is submitted that no other ship owner or operator
26 of vessels of Canadian registry was providing a
27 regularly scheduled direct water service when
28 Newfoundland entered confederation, nor has any
29 operator of Canadian-registered vessels endeavoured
30 to establish a regularly scheduled direct service



1
2 since that time, with the exception of a company
3 operating United Kingdom vessels.

4 Evidence and argument have been advanced in
5 connection with the service between Newfoundland ports
6 and Halifax by the Furness Withy interests, using
7 vessels of United Kingdom Registry, and I submit
8 most earnestly that cognizance should be taken by
9 this Commission of the service rendered by this
10 company -- Newfoundland-Great Lakes Steamships
11 Limited -- in the area of its operations. I refer
12 to the remarks of the Honourable Mr. Lewis who
13 recorded the feelings of the Province of Newfoundland
14 in this connection. You will recall the evidence
15 in this connection and Mr. Lewis' argument to the
16 effect that up to the commencement of a direct
17 service to the Great Lakes by this company
18 Newfoundland was dependent upon the railways and
19 the steamship companies belonging to the conference
20 group which in turn were tied to the railway rate
21 structure. It was this company's operations which
22 led to a lowering of railway rates during the
23 season of navigation with respect to shipments
24 between Newfoundland and points west of Montreal.

25 We submit that the effect of this rate
26 reduction has been beneficial particularly to the
27 people of Newfoundland, and the members of the
28 Commission will recall the strong views on this
29 subject held by the businessmen who appeared at
30



1 St. John's, Newfoundland. That is why we urge
2 this Commission in its findings of fact, to find
3 and report that the use of vessels of United Kingdom
4 Registry in the trade between Newfoundland and
5 the Great Lakes and particularly the part played
6 by this company has benefitted the people of
7 Newfoundland and that the existence of this
8 regularly scheduled direct service provided by
9 this company has had the effect of reducing
10 transportation costs during the season of navigation
11 to the benefit of the people of Newfoundland.

12 With respect to the submission of the
13 Dominion Marine Association representing Great
14 Lakes operators and the creation of a mythical
15 line within which only vessels of Canadian Registry
16 would be permitted to engage in the coastal trade,
17 it is submitted that the operations of Newfoundland-
18 Great Lakes Steamships Limited are not in conflict
19 with the operations of any of the Great Lakes owners,
20 in so far as the Newfoundland trade is concerned.
21 But the proposed Treaty between the United States
22 and Canada would abrogate this company's rights
23 which it presently enjoys to make an international
24 voyage within the Great Lakes area. And while the
25 number of international voyages made by this
26 company have been few in that area, they have been
27 important to this company in the circumstances
28 which existed. These circumstances involve a
29 cargo from Newfoundland to a point in the middle
30



1 United States, say, Chicago. The return voyage to
2 Newfoundland involved loading at Hamilton and
3 Toronto, and it was between the port of Chicago
4 and Hamilton that the scrap iron was carried.
5 Without that intermediate cargo out of Chicago, it
6 is probable that the Newfoundland cargo could not
7 have been carried to Chicago at rates on which the
8 cargo could have been secured.

9 Should the Commission decide that a recommenda-
10 tion should be made in its report advocating a
11 Treaty between United States and Canada to restrict
12 international voyages within the Great Lakes area,
13 then I earnestly submit that the operations of this
14 company be specifically exempted from that
15 restriction.

16 With respect to the argument advanced by the
17 shipyards that the coasting trade be restricted
18 to Canadian-built and Canadian-registered vessels
19 to enable the yards to be available for defence
20 needs, we submit that the defence needs of Canada
21 are the primary responsibility of the nation as a
22 whole.

23 The arguments advanced by the Railways and
24 by the Canadian National Railway in particular, to
25 extend the Transport Act in certain respects,
26 is, I submit, in direct conflict with the principles
27 advocated in recent years by the railways themselves.
28 The railways are interested in eliminating the
29 natural advantages which the lakes and rivers
30



1 offer for the low cost carriage of goods, and their
2 submissions would appear to be an effort to
3 complicate or at any rate impose upon the water
4 carriers what they describe as their own disabilities.
5 This Commission is familiar with the recent
6 Legislation enabling regulated carriers to
7 negotiate without reference to any regulatory
8 body what amounts to a private agreement, and
9 during the hearings in November and December, 1954,
10 before the Royal Commission on Agreed Charges, it
11 is a matter of record that the railways argued and
12 stated that they would find it impossible to carry
13 on if the regulations were not relaxed^{so}/that they
14 could negotiate with shippers in the same way
15 as water carriers and truck owners not subject to
16 regulation. It is our submission that this Commission
17 make no recommendation in connection with the
18 Transport Act.

19 Gentlemen, in the deliberations of the
20 Commission, and in its Report, it is probable
21 that the Commission will make certain findings
22 of fact on which its recommendations will be
23 based and it is submitted that this Commission
24 should find as a fact with reference to the
25 following points, and I submit that there is
26 ample evidence on the record to support these
27 points:

28 Firstly, to find as a fact that the
29 restriction of the coastal trade between
30 Newfoundland and the other Maritime Provinces



1 on the one hand and the Great Lakes area on the other,
2 to vessels of Canadian registry, would result in
3 higher freight rates and is undesirable.
4

5 Secondly, that the existence of vessels
6 operated by this company of United Kingdom registry
7 in a regularly scheduled direct service between
8 Newfoundland and the Great Lakes has had the effect
9 of reducing transportation costs during the season
10 of navigation to the benefit of the people of
11 Newfoundland.

12 Thirdly, that it would be contrary to the
13 interests of the Province of Newfoundland and the
14 other Maritime Provinces and of industry located in
15 Central Canada, to enact any legislation which would
16 serve to increase the transportation factor in the
17 cost of coastal traffic.

18 Fourthly, to find as a fact that certain
19 industries in Newfoundland and the other Maritime
20 Provinces would be seriously prejudiced if forced
21 to ship exclusively on vessels of Canadian registry
22 within the coasting trade of Canada.

23 Lastly, to find as a fact that it is not
24 desirable to restrict the international trade
25 on the Great Lakes to vessels of Canadian or
26 American registry.

27 Now, gentlemen, on behalf of The Newfoundland-
28 Great Lakes Steamships Limited, I further respect-
29 fully submit that this Royal Commission on Coasting
30 Trade should include in its recommendations the



1 following:

2 That the Commonwealth Agreement of 1931
3 should be maintained in its present form, but in
4 the alternative should this Commission recommend
5 that the coasting trade be restricted to vessels
6 of Canadian registry, that the use of vessels of
7 United Kingdom registry by this company be
8 specifically exempted from any such restriction;
9 and as a second recommendation we urge the
10 Commission to report that no legislation should
11 be enacted which would increase the transportation
12 factor in the coasting trade in so far as the
13 Province of Newfoundland and the other Maritime
14 Provinces are concerned.

15 Lastly, to recommend that there should be
16 no change with respect to the existing situation
17 on the Great Lakes in so far as traffic between
18 Canada and the United States is concerned.

19 Now in conclusion, gentlemen, my clients
20 feel and believe that they have made a contribution
21 particularly in connection with Newfoundland and the
22 people of that Province, and it is their hope and
23 desire to continue in the future to make a
24 contribution to the well-being of those whom it
25 serves and to participate in the development
26 and expansion of Canada.

27 Mr. Chairman, that concludes the argument
28 which I wish to submit. I have one word which I
29 desire to add from a personal point of view.
30



1 From the agenda it appeared that this argument was
2 to have been the last but I understand that another
3 has been added so my remarks are one step removed
4 from being in the right place.

5 I know that all counsel who have appeared
6 before you have appreciated the co-operation which
7 has been extended to them by the members of the
8 Commission, counsel and staff. However, the
9 situation, many of us think, goes beyond simply
10 recording those thanks. The holding of a Royal
11 Commission involves the exercise of some of the
12 rights which we in democratic countries appreciate
13 very much, but it goes further than that. The
14 acceptance of the appointment to sit on a
15 Royal Commission is an example of public service
16 by members of the Commission which should not go
17 unrecorded. The performance of the duties and
18 functions involved in this Commission have involved
19 great personal sacrifice and inconvenience to not
20 only the professional lives but also the domestic
21 life of each of the members of the Commission,
22 and I say this, gentlemen, that I consider it
23 a privilege to state this for the record, that
24 acting in connection with the Commission is a
25 great public service and probably one of the
26 finest acts of citizenship. Thank you.

27
28 ---A short recess.

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1 ARGUMENT ON BEHALF OF THE COMMITTEE
2 ON NEWFOUNDLAND COASTAL SHIPPING.
3

4 ---Mr. James J. Greene, appearing.

5 MR. GREENE: Mr. Chairman and members of
6 this honourable Commission, it may be helpful at
7 the beginning if I reiterate the terms under which
8 our Committee, namely, the Committee on Newfoundland
9 Coastal Shipping, came into being. In the
10 introduction to our brief which was presented to
11 the Royal Commission in June of 1955 mention was
12 made of the fact that this Committee was set up
13 in April, 1955 by the Government of the Province
14 of Newfoundland to enquire into and report upon
15 the circumstances of the coasting trade of that
16 Province and included in our Terms of Reference
17 was an obligation to consider particular and
18 general aspects of the coastal trade of Newfoundland
19 in respect of which it might be desirable to make
20 representations to this honourable Royal Commission.
21 Pursuant to that directive our Committee did, as
22 I have already stated, bring before the Royal
23 Commission a brief on which several matters
24 concerning the coastal trade of the Province
25 were dealt with.

26
27 Our Committee realized that the primary
28 concern of the Royal Commission was to investigate
29 the effect on the coastal trade of Canada of the
30 participation in that trade of vessels registered



1 or built outside Canada. Nevertheless, we felt,
2 or rather our interpretation of the Royal Commission's
3 Terms of Reference was such that we felt that we
4 could bring certain other aspects before the
5 Commission for its attention. We sought to confine
6 ourselves to the local aspects of the Canadian
7 coastal trade as it affected the Newfoundland
8 coasting fleet. The larger aspects of this
9 Royal Commission's enquiry were very ably handled
10 by a special Committee set up by the Government of
11 Newfoundland from which representation has already
12 been heard. We, as I said, confined ourselves to
13 local aspects of the coastal trade in our own
14 Province. It may be that in interpreting the
15 Terms of Reference of this Royal Commission we
16 permitted ourselves to take too broad an interpreta-
17 tion of those Terms, and, as a consequence, it
18 may well be that we have at various stages either
19 in our original brief or in the evidence called
20 in St. John's have introduced matters or gone into
21 matters which it is not, in fact, the responsibility
22 or indeed the desirability of this Royal Commission
23 to consider. If that is so, Mr. Chairman and
24 gentlemen, if indeed our interpretation has been
25 too wide and if some of the matters we have
26 introduced are not properly ones which should
27 have been brought to your attention, we, of
28 course, are only too happy to concur if your
29 finding should be that some of these matters are
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1 not ones which the Royal Commission feels it should
2 deal with. As I have said, our interpretation of
3 your Terms of Reference may have been too broad,
4 but we attached a great deal of importance to the
5 coastal trade of Newfoundland in the economy of our
6 Province, and we felt it necessary to leave no
7 stone unturned in making representations to proper
8 authorities, proper bodies, and we felt that certain
9 matters could properly be brought to the attention
10 of this Commission.

11 We have emphasized in our original brief
12 the place of coastal trade in the economy of
13 Newfoundland, and perhaps I may be permitted to take
14 just a few moments to re-emphasize that important
15 aspect. The Province of Newfoundland, an island
16 of some 42,000 square miles, and Newfoundland and
17 Labrador covering an area of some 110,000 square
18 miles, has, in the case of Newfoundland a large
19 number of small settlements, some 1,300 in fact,
20 scattered along 6,000 miles of coastline in
21 Newfoundland, and in the case of Labrador we have
22 a coastline of 1,200 miles. Both in Newfoundland
23 and especially in Labrador you will find this
24 population is scattered, as I emphasized, and
25 that in many places no roads exist, and that
26 these places are consequently inaccessible except
27 by water. It therefore follows that in most of
28 these cases the sea provides the general means of
29 transportation.
30



1 The exports of the Province of Newfoundland
2 we know to be chiefly fish, fish products, minerals,
3 newsprint and wood products, and the evidence called
4 in St. John's by our Committee emphasized the
5 importance which the coastal fleet plays not only
6 in the distribution of consumer commodities to these
7 scattered settlements in Newfoundland, but emphasized
8 also the important place which our coastal fleet
9 plays in the distribution of supplies, particularly
10 for the fishing industry, and also the part it plays
11 in the picking up, if you will, of the products of
12 the fisheries and bringing these products to export
13 points.

14 It may be recalled that mention was made in
15 St. John's, and indeed in our brief, that according
16 to Dominion Bureau of Statistics estimates for the
17 year 1953 that some 988,000 tons of cargo were
18 brought into Newfoundland from other Canadian
19 Provinces, and it was estimated that 214 vessels,
20 the small and mainly for the most part wooden
21 vessels engaged in the Newfoundland coastal trade
22 carried between them some 340-odd thousand tons
23 of cargo.

24 COMMISSIONER WICKWIRE: 338,887.

25 MR. GREENE: Thank you; I was looking for
26 the reference myself without success. I think
27 it unnecessary to continue to emphasize the
28 importance of this fleet in our economy. I
29 think the facts speak for themselves in that
30



1 respect. If I may be permitted just to make one
2 reference, as the Commission knows the Canadian
3 National Steamships operates a modern service in
4 Newfoundland, a fleet of vessels which serves a
5 triple purpose, namely, cargo carriers, passenger
6 carriers and carrying the mail, and according to
7 their own figures of tonnages carried in the coastal
8 trade of Newfoundland for the season 1953/1954,
9 it appears that the C. N. R. Marine Service
10 carried 41,424 tons, and I would invite comparison
11 of that figure with the tonnage carried by the
12 coastal trade, namely, 338,887 tons.

13 In our brief we permitted ourselves to make
14 reference to the Canada Shipping Act, particularly
15 in reference to the permit system now in existence
16 in Newfoundland in respect to coasting licenses,
17 and further, our recommendations on extension of
18 home trade classification. It is not my intention
19 to deal at all with these matters here today. I
20 have outlined in my opening remarks the position
21 that it may well be that such matters are outside
22 the scope of your Reference.

23 The same applies to our section dealing
24 with aids to navigation, radio aids to navigation
25 and marine facilities.

26 I had proposed, with the permission of
27 this Commission, to deal with the matter which
28 was dealt with in writing by our supplementary
29 brief presented at the St. John's hearing on the
30



1 proposed extension of the Transport Act, an
2 extension which, in effect, would bring that Act
3 into operation for the vast majority of the vessels
4 engaged in the Newfoundland coasting trade. In
5 briefs submitted by the Canadian National Railways
6 and by the Canadian Pacific Railway Company, it was
7 recommended that this Royal Commission find it
8 desirable that the Transport Act be extended from
9 its present limited application to take into its
10 scope all vessels over 100 tons -- 100 tons and
11 over -- engaged in the coasting trade of Canada.
12 The brief of the Canadian Pacific Railway Company
13 went even further and asked that the Act be amended
14 to include all ships engaged in the coasting trade of
15 Canada. The Commission has heard a considerable
16 amount of discussion on this particular point,
17 but I would like to make some reference to it
18 with particular application to the Newfoundland
19 scene.

20
21 I would emphasize in the first place that
22 the Transport Act was legislated in 1938 at a time
23 when there was, I think it true to say, no thought
24 of Newfoundland's ever becoming a part of the
25 Canadian Federation, and I think it is also true
26 to say that in the drafting of that Act there
27 could not have been any thought given to the
28 special problems which exist with regard to the
29 coasting trade of the Province of Newfoundland,
30 and I think therefore it would be entirely



1 inappropriate to attempt now to enforce the
2 principle of this Act on conditions never originally
3 envisaged.

4 Further, it is our understanding that the
5 main purpose of the Transport Act is to equalize
6 conditions of competition where several media
7 are available; for example, rail, road and water.
8 But, in Newfoundland, as I have already pointed out,
9 the majority of towns and villages are dotted
10 along the coastline and are not served by rail or
11 road communication, and they therefore depend to a
12 large extent on sea transportation. There
13 therefore does not exist this element of
14 competition between various media of transportation
15 which apparently is one of the prime facts behind
16 the Transport Act.

17 I would emphasize too that the Newfoundland
18 coasting fleet has been developed on lines entirely
19 different from shipping lines in the rest of
20 Canada. Here, as on the mainland, I think it is
21 true to say that large maritime companies operate
22 steamship lines on regular lines, and this type
23 of operation is certainly more suitable to
24 regulation. But in Newfoundland these 214 vessels
25 of which I have spoken are largely singly-owned
26 and often owner-operated. They are for the most
27 part vessels built to operate in the numerous
28 shallow-draught harbours that are found on our
29 coasts and, unlike shipping in other parts, the
30



1 vessels of the Newfoundland coastal trade carry very
2 different types of cargo in different seasons of
3 the year.
4

5 I have already emphasized the importance of
6 the coastal trade to our fisheries, and to elaborate
7 on that briefly, it is recognized how important a
8 place our fleet plays in the carrying and
9 distributing of bulk salt cargoes to fishing
10 settlements in the Spring, and then the distributing
11 of other necessary fishing supplies. It may well
12 be that then a coasting vessel will go into the
13 general package freight in the Summer, possibly
14 carry lumber, and then in the Fall the average
15 coasting vessel has to collect and freight to
16 export points the season's fishery catches. That
17 being so, with this great variety of operation
18 which I would suggest is the normal routine, it
19 is our contention that it would be impossible for
20 these vessels to establish and abide by any sort
21 of tariff of rates. It is this element of
22 flexibility of operation which I think we must
23 realize is so necessary for the maintenance of our
24 fleet. I would suggest that if such vessels were
25 to come under the Board of Transport Commissioners
26 the effective regulations which would consequently
27 be imposed, such regulations as fixing routes and
28 tariffs etcetera, would, I am sure, destroy
29 this element of flexibility which is the
30 very essence of the continuation of this fleet.



1 As far as the Canadian National Railways
2 is concerned, I do not think it can be denied that
3 the existing service provided by the C. N. R.
4 Marine Service in Newfoundland would on their own
5 be entirely inadequate to meet the barest essential
6 traffic, and the figures which I have quoted, I
7 submit, would bear out that contention.

8 We realize the desirability of having
9 quality of consistency within the coasting industry,
10 but we would disagree most strongly that such
11 quality in consistency can be achieved so far as
12 Newfoundland is concerned by the bringing into
13 operation in that Province of the Transport Act
14 and its regulations and controls. We would
15 disagree too for the reason that so far as
16 competition between the C. N. R. and
17 the rest of the Newfoundland coasting fleet is
18 concerned a great number of inconsistencies
19 exist. I don't intend to reiterate this at this
20 stage. I would merely refer the members of
21 the Commission to pages 6, 7 and 8 of our first
22 supplementary brief on which pages reference is
23 made to those inconsistencies.

24 To sum it up, I think we may say that it
25 can be shown that there is little basis upon
26 which C. N. R. vessels in Newfoundland or any
27 other vessels of that sort could operate within
28 the same framework of operations as the majority
29 of our small coasting vessels. The effect of
30



1 the C. N. R. submission, or the C. P. R. submission,
2 is, so far as concerns Newfoundland, to try and force
3 our small coasting vessels into the same operational
4 framework as that in which the C. N. R. vessels in
5 Newfoundland now exist, and I submit such an attempt
6 from the very beginning would be futile. The types
7 of services are quite different, the types of vessels
8 are different; their operations are based on
9 entirely economic considerations, and in summary
10 on this particular point I would say that as now
11 in force the Transport Act is limited both as to
12 geographical application and as to tonnage range,
13 and so far as our Committee is concerned the reasons
14 which prompted these restrictions on the Act in
15 1938 are still valid, and the Committee would
16 therefore respectfully ask that this Royal
17 Commission would not make any recommendation for
18 extension at this time.

19 If I may briefly deal with another
20 recommendation put forward, this time by the
21 Canadian Congress of Labour in its original
22 brief to this Royal Commission, it devoted a
23 section of its brief to what it called unfair
24 competition on the Atlantic coast. That is to
25 be found in the submissions to the Royal Commission,
26 Volume 2, Brief B-76, at page 6. The point put
27 forward there is that the Canadian National
28 Railway Marine Services in Newfoundland is faced
29 with unfair competition by reason of the fact that
30



1 whereas the C. N. R. are organized by the
2 Canadian Brotherhood of Employees and other
3 transport workers those operating in the
4 Newfoundland coastal trade are not Union organized.
5 I think it is fair to say that the Canadian
6 Congress of Labour does point out that the proper
7 way to handle this problem would be for them to
8 attempt to organize the Newfoundland coastal
9 vessels; but they say this cannot be done, and
10 therefore they ask minimum wage legislation be
11 introduced.

12 THE CHAIRMAN: They wanted us to organize
13 if for them. I am not an organizer.

14 MR. GREENE: That is the basis of their
15 submission. They quite honestly say they cannot
16 do it themselves and they would like minimum
17 wage legislation to do it for them. I don't know
18 I need seriously attack their contentions, but it
19 does raise a point that does need emphasis. It is
20 the point that their whole argument is that the
21 C. N. R. in Newfoundland is in competition. I
22 don't know if this is the C. N. R. attitude, or
23 whether it is the Canadian Congress of Labour's
24 interpretation of the C. N. R. position, but it
25 should not pass unnoticed. The point is, as far
26 as the C. N. R. in Newfoundland is concerned, it
27 came into the Province after Union in 1949 and
28 took over the services then operated by the
29 Government of Newfoundland, and therefore it is
30



1 required under the Terms of Union to continue to
2 provide an existing service so far as the Province
3 is concerned. I therefore think it unfair that
4 they should consider themselves to be necessarily
5 a profit-making venture as this brief of the
6 Canadian Congress of Labour would seem to imply,
7 because the whole emphasis there is that the C. N. R.
8 under the existing wage set-up cannot compete with
9 the coasting fleet. I would suggest that that
10 element of competition should not be permitted to
11 sway the operation in any way of our coasting
12 fleet.

13 We have pointed out in our brief, and I would
14 merely refer to it, that an examination will show
15 that there is, in fact, for the reasons I have been
16 mentioning and for other reasons, no competition
17 between these two diverse types of operation.
18 The Canadian Congress of Labour brief has failed
19 to take into consideration in recommending this
20 legislation such factors as that whereas the
21 average C. N. R. steamer in Newfoundland is a
22 vessel of some 1,500 tons, the average Newfoundland
23 coasting vessel is a much smaller vessel.

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25
26
27 (Page 5965 follows)
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29
30



Take C 1
JC
Jan.11/56

MR. GREENE:

In fact,

86 -- only 86 of the 214 coastal vessels are over 90 tons in weight, and it may well be other considerations have to be taken into review in this matter, such as the fact the C.N.R. boats are not only providing a freight service, but they are passenger vessels. They are mail carriers as well. They are larger vessels and the masters and officers and crews are required to undertake a great deal more responsibility for the safety of life and for other factors than would be required by the coastal vessel.

Therefore, we would say any disparity between the wage scales paid by the C.N.R. at the moment and the prevailing rates in the Newfoundland coasting trade is not out of line, especially for the reasons of smaller tonnage and lesser responsibility. Also, I would suggest for a very important reason that in the case of the coastal fleet there is in general a great deal less qualification on the part of those people engaged in that trade.

We would therefore submit, or we would ask, rather, that the Royal Commission sees fit not to suggest the implementation of the matters set forth in the Canadian Congress of Labour brief asking for minimum wage legislation in the Newfoundland trade.



1 During its visit to St. John's the members
2 of this Royal Commission had an opportunity of
3 seeing some two or three of our typical coastal
4 vessels. They heard in evidence before them in
5 St. John's a captain who, I think, has some 39
6 years' experience. He spoke at some length, I
7 am afraid, of what we call the marginal operation
8 of these vessels. We would say any further
9 attempt to impose legislation on this trade would
10 be very detrimental to its continued operation.

11 It was suggested in St. John's that several
12 of the matters which had been brought to the atten-
13 tion of the Royal Commission could possibly be
14 pursued directly with the various agencies con-
15 cerned. I would like to report at this stage
16 that our Committee has taken that advice and
17 consideration, and we are pleased to report that
18 considerable progress has been made since that
19 time, particularly with respect to aids to navi-
20 gation and radio aids and also in provision for
21 a buoy boat in Newfoundland.

22 We note from a recent press release that
23 arrangements have been made for the provision
24 of such a buoy.

25 One of the most important aspects of our
26 brief, which we consider of vital importance to
27 Newfoundland, is the question of provision of
28 docking facilities in the Province for our coas-
29 tal vessels. This was dealt with in our origi-
30 nal brief commencing at page 33, and because of



1 certain matters which arose during the hearings
2 at St. John's and certain questions which were
3 raised at that time, and for other reasons, our
4 Committee would like at this time to put in as an
5 exhibit a supplemental written document dealing
6 with docking facilities in Newfoundland.

7 I think I would like to put this in now.

8 MR. GERIN-LAJOIE: Mr. Chairman, may I
9 say for the purposes of the record, before this
10 final hearing in Ottawa started on January 4th,
11 you and the other members of the Commission had
12 agreed, in view of the special nature of the pro-
13 blems raised by the Committee of Newfoundland Coas-
14 tal Shipping, this document should be filed at
15 this stage.

16 THE CHAIRMAN: Yes. Insofar as this is
17 evidence, not argument, it is evidence to which
18 there can be no opposing interest. It is only
19 a matter of the consideration of its relevancy.
20 Therefore, we agreed to accept it, even although
21 it was not only in the time allotted to argument
22 but the last of those.

23 MR. GREENE: Thank you, Mr. Chairman.
24 We deeply appreciate the opportunity thus afforded
25 to us.

26 MR. GERIN-LAJOIE: Exhibit 236 is entitled
27 "Supplementary Brief on Docking Facilities from
28 the Committee on Newfoundland Coastal Shipping
29 appointed by the Government of Newfoundland".
30



1 ---EXHIBIT NO. 236: Supplemental brief filed by
2 The Committee on Newfoundland
3 Coastal Shipping.

4 MR. GREENE: With regard to this question
5 of docking^{facilities,} I think at this time it is important
6 that we re-emphasize the importance to the marine
7 economy of Newfoundland in having available in
8 that Province adequate repair facilities and ser-
9 vices.

10 Now, our supplementary brief has been put
11 in in order that we may deal in this written docu-
12 ment more fully with this aspect of our trade,
13 which we consider of vital importance.

14 Our original brief emphasizes the fact,
15 among other things, that our coastal fleet is on
16 the whole an old fleet which an average age of 18
17 years, and it is very apparent as the age increases
18 the need will, consequently, increase for continued,
19 and indeed, more extensive repair and renovation
20 for these vessels if they are to be continued in
21 that service.

22 This aspect is most important because of
23 the fact that high replacement costs today have
24 resulted in the unfortunate fact that little or
25 no shipbuilding is being done to replace these
26 vessels.

27 COMMISSIONER WICKWIRE: On that point,
28 Mr. Greene, you say that only 20 coastal vessels
29 were added to the Register of Shipping within
30 the last four or five years. Were any of those
31 new ships?



1 MR. GREENE: I would say, Mr. Wickwire, sir,
2 that of those 20 vessels possibly four or five were
3 locally built; but my understanding is that of
4 those four or five none would be of a tonnage
5 greater than 70 to 80 tons.

6 COMMISSIONER WICKWIRE: All wooden vessels?

7 MR. GREENE: All wooden vessels.

8 THE CHAIRMAN: I thought they were all
9 bought in Liverpool, were they not?

10 COMMISSIONER WICKWIRE: I think a number
11 of them were bought from Nova Scotia.

12 MR. GREENE: That is right, a certain num-
13 ber.

14 COMMISSIONER WICKWIRE: They were ex-Grand
15 Bankers.

16 MR. GREENE: That is so. As a matter of
17 fact, only within recent weeks two more vessels
18 have been acquired for coasting purposes from Nova
19 Scotian interests; although I think that in all
20 fairness, my understanding is that this source of
21 supply has just about reached its limits. In
22 other words, there are now very few ex-Grand
23 Bankers available.

24 THE CHAIRMAN: What is the future of the
25 Newfoundland coastal fleet?

26 MR. GREENE: The future of the Newfound-
27 land coasting fleet, sir, is a matter which is
28 causing this Committee of our Province a great
29 deal of concern.

30 I do not think at this time I can give you



1 one exact answer. We are not in a position to
2 say that if such was done, the coastal fleet will
3 revive or revitalize.

4 COMMISSIONER WICKWIRE: Are any steel
5 vessels or modern-type vessels being used in that
6 trade at all?

7 MR. GREENE: There are a small number of
8 steel vessels being used, sir, yes. One or two
9 have been bought from foreign interests and
10 brought to Newfoundland.

11 This Committee, on whose behalf I appear,
12 has actually had types of steel vessels designed
13 suitable for the Newfoundland trade, but it would
14 appear that the cost of providing those vessels
15 either in Canada or abroad, for that matter, would
16 be quite beyond the range of the average vessel
17 owner in Newfoundland.

18 I think you would have to appreciate the
19 fact, so far as these vessels were concerned,
20 originally the smaller vessels were quite often
21 built by the men who subsequently operated them.

22 COMMISSIONER WICKWIRE: My point is this,
23 when you ask for expensive docking facilities,
24 and they are expensive, to be provided, or that
25 we recommend that they be provided by some manner
26 or means, should they be provided if the future
27 of the wooden vessel type of ship is in doubt?

28 MR. GREENE: The future, Mr. Wickwire,
29 is in doubt only to this extent. It cannot be
30 allowed to disintegrate completely, which is



1 what must of necessity happen if the vessels cannot
2 be repaired and replaced and rebuilt as the need
3 occurs. The answer may well be, further aid will
4 have to be forthcoming towards provision of new
5 vessels, and in the interim or in the period be-
6 tween our present situation and the time when the
7 answer will be arrived at by some new means, pro-
8 viding the vessel is right.

9 In other words, when a policy has been
10 decided with regard to new vessels, be they steel
11 or wood, in that intervening period these small
12 vessels, or as many of these existing vessels as
13 can possibly be maintained and kept in service,
14 should be so maintained; and in order to do that,
15 and in order to do it economically, there must
16 be available sufficient docking facilities.

17 I would emphasize at this stage that with
18 the advent of Confederation in 1949 our vessels
19 came under the requirements of the Canada Steam-
20 ship Inspection, which requires in the case of
21 passenger vessels and vessels over 150 tons en-
22 gaged in fishery, yearly inspection which requires
23 docking. In the case of vessels under 150 tons
24 inspection and docking every four years.

25 The result of this has been to place even
26 greater importance on the need for docking
27 facilities, but if I may bring myself specifi-
28 cally to your question, sir, whatever the future
29 of the Newfoundland coasting trade is to be;
30 these 214 vessels now existing have in general



1 a long life expectancy. There is no doubt of
2 that. Past experience has shown these vessels
3 have a long life if they are properly maintained
4 and repaired at regular intervals or it suddenly
5 does not become necessary to rebuild the whole
6 structure.

7 There are many instances -- I know about one
8 case where a vessel well over 60 years of age is
9 still very active in the coasting trade.

10 Therefore, I would suggest where we have
11 an average age of about 18 years, that is not in
12 fact an age for vessels of this type which is
13 such as would lead to the conclusion within three
14 or four or even ten or fifteen years they would
15 all disappear.

16 There is no doubt they will disappear if
17 facilities cannot be provided for their continued
18 repair and maintenance, but I do not think the
19 answer to our problem -- the answer certainly is
20 not in permitting the existing vessels simply to
21 waste away.

22 THE CHAIRMAN: These vessels are capable
23 of sailing across Cabot Strait. If in fact they
24 are going to be replaced shortly it would not
25 be economical to build now marine railways and
26 haul-outs for the balance of their life. Should
27 they be taken over to Nova Scotia, for instance,
28 for repair work to be done on them?

29 MR. GREENE: Mr. Chairman, I would sug-
30 gest in answer to that question that all the



1 type of haul-outs we require now will be required
2 for whatever type of vessel will be used in the
3 future.

4 THE CHAIRMAN: That is the position I would
5 expect you to take. The haul-outs will be available
6 for these small steel vessels.

7 MR. GREENE: Exactly.

8 THE CHAIRMAN: Now, another factor that
9 occurs to me is this. Is the coasting trade going
10 to continue to be required in the volume that it
11 presently is required, in view of the programme
12 of road building in Newfoundland, which will make
13 accessible by truck many of the places that are
14 only accessible now to coastal steamer?

15 MR. GREENE: That is true, Mr. Chairman.
16 I would suggest, however, only to a very limited
17 extent, for this reason: that, considering in the
18 northern parts, say, beginning early in the Fall,
19 if roads are provided where they do not now exist,
20 it is available to a great many people, but they
21 will not be available for the transport of goods
22 in the late Fall or early Spring. In other words,
23 even if the roads were provided by reason of
24 the adverse winter weather conditions, that
25 modern avenue of trade would still be required.
26 It may well be that over a period of years gradu-
27 ally there will be a gradual decline in the re-
28 quirements, but I think that decline will be
29 of very small magnitude, and it will be projected
30 over a long period of years; so in point of fact



1 the appreciable difference that comes there will
2 not be very great.

3 We have the hope and expectation that as
4 our economy improves in Newfoundland, even greater
5 amounts of consumer commodities will have to be
6 brought into the Province. Our facilities may
7 increase with other methods of transportation, but
8 the bulk of consumer commodities will increase,
9 and therefore there will be always the possibility,
10 I would suggest, of even a greater call upon the
11 coasting fleet because I do not think in the fore-
12 seeable future, because of various conditions,
13 of which weather is only one and economic operation
14 another -- for these reasons I cannot see in the
15 very near future at all any possibility that the
16 coastal trade will find itself in the position
17 of having no work to do.

18 I think that time, if it ever comes, is a
19 long, long way off and any marine facilities that
20 are provided now will have more than ample work
21 to keep them occupied for a good many years to
22 come.

23 I think there is no doubt about that aspect
24 of it. We have been from the very beginning
25 of our history people who have used the sea as
26 our main avenue of communication and transpor-
27 tation, and I think that the time for a change
28 may well be slowly approaching, but it is cer-
29 tainly not with us and I do not think it will be
30 for some years to come. Personally, I feel that



1 the need for the coastal trade will remain for a
2 long, long time. I do not know if you have any
3 more questions on that particular point, Mr.
4 Chairman?

5 MR. CHAIRMAN: No.

6 MR. GREENE: Well, we have emphasized
7 these additional reasons why it has become necessary
8 in late years for the provision of these docking
9 facilities. We have pointed out that the opera-
10 tion of these coastal vessels is marginal. They
11 provide a service, a service without which the
12 economy of the Province could not do, but their
13 operation is at best marginal. Therefore, in
14 order to help the operators of these vessels and
15 in order to encourage their continued participa-
16 tion, it is necessary that docking be done to
17 make their operation more economical.

18 COMMISSIONER WICKWIRE: One thing I suggest
19 could be done, Mr. Greene, is to allow the men
20 who sign on Articles to load these ships in St.
21 John's.

22 THE CHAIRMAN: That would have a tremen-
23 dous effect.

24 MR. GREENE: That would, sir, have an
25 effect, but of the import at the moment it is
26 difficult to say because, for example, in loading
27 supplies for fisheries in St. John's the union
28 does not require its longshore union men to be
29 employed.

30 I think this may be a good point at which



1 to introduce, not as an exhibit because it really
2 is not part of our submission, but during the
3 hearing at St. John's we were asked if we could
4 provide any information to the Commission as to
5 agreements between the Longshoremen's Protective
6 Union in St. John's and the trade; operating
7 requirements, rates and wages and so on, and I do
8 not know if I can simply table this without putting
9 it in as an exhibit ---

10 THE CHAIRMAN: Why shouldn't they be an
11 exhibit?

12 MR. GREENE: They can be an exhibit if
13 you prefer. This will, perhaps, answer Mr.
14 Wickwire's question, not necessarily answer it
15 but illuminate his question.

16 MR. GERIN-LAJOIE: Exhibit No. 237 is
17 a pamphlet entitled "Memorandum of Agreements
18 between the Longshoremen's Protective Union and
19 the Newfoundland Employers' Association Limited,
20 dated May 1st, 1954".

21 ---EXHIBIT NO. 237: Memorandum of agreement be-
22 tween the Longshoremen's
23 Protective Union and the
Newfoundland Employers'
Association Limited.

24
25 THE CHAIRMAN: What is the accompanying
26 table?

27 MR. GREENE: The accompanying table
28 is a revision of rates which have come into ef-
29 fect since the original document was published.

30 MR. GERIN-LAJOIE: The table is entitled



1 "Newfoundland Employers' Association Limited,
2 Longshoremen Rates of Wages effective May 1st,
3 1955".

4 THE CHAIRMAN: They will both be marked
5 as the same exhibit.

6 MR. GREENE: It may be convenient to put
7 in a further document that you requested at the
8 hearings in St. John's. The Committee was asked
9 to provide a list of the ports in Newfoundland
10 served by the C.N.R. Marine Service. We have
11 acquired the Canadian National Railways Atlantic
12 Region, Newfoundland District, Timetable 85, which
13 at pages 9, 10 and 11 lists the marine services
14 and ports of call of the C.N.R. in Newfoundland.
15 This is dated as taking effect on June 12, 1955.
16

17 ---EXHIBIT NO. 238: Canadian National Railways
18 Timetable for Atlantic
19 Region and Newfoundland
20 District, dated June 12,
21 1955.

22 (Page 5981 follows)
23
24
25
26
27
28
29
30



1 MR. GREENE: We take the position, however,
2 that this practice of taking vessels up on the
3 beach between tides, quite apart from its mechanical
4 ramifications is one quite apart from the point of
5 view of the C.S.I. and is quite impossible. It
6 may work in other provinces but in the case of
7 Newfoundland, if you are forced to beach vessels
8 in that way, it would be quite impossible. They
9 would be embedded in mud, they couldn't be
10 examined and the result would be we would be
11 forced to ignore the C.S.I. regulations, which we
12 do not want to do, or there would be an impossible
13 burden placed on the C.S.I. inspectors.

14 I think it only fair to say in answer to
15 the suggestion put forward that were these
16 facilities provided there would be little to
17 do in view of the diminishing nature of the fleet.

18 The Newfoundland division of the C.S.I.
19 has, in answer to an inquiry by this Commission,
20 given this information that the minimum number
21 of drydocks required for inspection purposes,
22 only over a four-year period is 876, or an average
23 of 219 vessels a year. These figures represent
24 the basic minimum of vessels and it doesn't take
25 into account any emergency dockings and the
26 inevitable requirements of foreign vessels.
27 A great many ship owners, if docks were available,
28 would undoubtedly wish to dock them more often
29
30



1 than required under the regulations, namely every
2 four years.

3 THE CHAIRMAN: That is all set out in your
4 brief.

5 MR. GREENE: Yes. Our calculation is, if
6 docks were available, at least 300 dockings a year
7 could be counted on, and there is every reason why
8 these facilities should be provided.

9 THE CHAIRMAN: That is also set out in your
10 brief.

11 MR. GREENE: Yes. We also set out in our
12 brief a resume of the facilities, and so on.
13 We attempt in our brief to answer the suggestions
14 put forward that there should be done in Newfoundland
15 what has been done elsewhere through private
16 enterprise providing adequate docking facilities,
17 and in our brief we have attempted to put forward
18 certain matters in refutation of that suggestion.

19 We would suggest the history of docking
20 in Newfoundland has been one in which, by necessity,
21 government aid has to be forthcoming. We suggest
22 in other areas such aid in one form or another
23 has been forthcoming.

24 I think that matter is not in dispute,
25 public records are available to show how docks
26 in other areas are acquired and how they are
27 being presently operated.

28 THE CHAIRMAN: These are docks which
29 you say are no good for you. Are you referring
30



1 to the drydocks at Esquimalt and St. John's? You
2 say they are too big for you.

3 MR. GREENE: We refer to the smaller type
4 marine railways, and we have a drydock in St.
5 John's of 14,000 tons capacity, but it is not at
6 all suitable for the needs of our small fleet.
7 The type we refer to is the small marine haul-
8 outs that exist in the Atlantic provinces.

9 COMMISSIONER WICKWIRE: I may say we thought
10 of one marine railway the government did not buy
11 or contribute to.

12 MR. GREENE: To which do you refer, sir?

13 COMMISSIONER WICKWIRE: There has been a
14 lot of work go over it too. That is at Marine
15 Industries. That is at Sorel.

16 MR. GREENE: It may be so, there are
17 exceptions to the general rule that I have mentioned.
18 Our only desire in even bringing it up at this time
19 is to make this observation from it, that our
20 suggestion that it is incumbent on the government
21 to aid in the provision and maintenance of
22 suitable docking facilities is not a suggestion
23 that is completely without prescedent. It is
24 not something new and we are not asking for
25 something that the government has not done
26 before.

27 THE CHAIRMAN: Are you sure you are
28 correct. It is true the Federal Government
29 has supplied great drydocks, one on each side
30



1 of the continent, but the others were the aftermath
2 of the war and that is the only reason the good
3 citizens of Sydney happened to get the marine
4 railway so cheaply. What you should have done
5 was persuade them to build them for you in New-
6 foundland and sell them to you cheaply.

7 MR. GREENE: With respect, Mr. Chairman,
8 I can if you wish, name all the docks that were
9 built in the Atlantic provinces.

10 THE CHAIRMAN: Name any of them that aren't
11 within the description I have given that were not
12 built during the time of emergency and the govern-
13 ment had to get rid of them.

14 MR. GREENE: Be that as it may, sir, I
15 can give you one, and I would refer you to the
16 marine slip at Selkirk, Manitoba.

17 THE CHAIRMAN: There you have thwarted us.
18 I thought I had seen everyone in Canada.

19 MR. GREENE: Since the matter has been
20 raised I would like to put in as an exhibit
21 a book of regulations authorized by the Department
22 of Public Works, authorized by Order in Council
23 P.C. 5382, dated December 31, 1947 governing
24 management and working of the marine slip
25 at Selkirk, Manitoba.

26 COMMISSIONER WICKWIRE: That must be
27 for catching goldeyes.

28 MR. GREENE: No, it is a document setting
29 forth the regulations covering a marine slip
30



1 of 300 tons, and I might say it is just the type
2 of thing we are talking about. It is not a large
3 marine installation but is just the sort of thing
4 we would like to see. The regulations set out
5 the rates provided and so on, and it is avail-
6 able for all shipping in that area.

7 THE CHAIRMAN: There is not much navy at
8 Selkirk, Manitoba.

9 MR. GREENE: I take it there are probably some
10 department of Public Works vessels in the area,
11 but the fact is it was available for public use.

12 ---EXHIBIT NO. 239: Regulations governing marine
13 slip at Selkirk, Manitoba.

14 MR. GREENE: I think in the case of the
15 Atlantic provinces slip-ways it is beyond dispute
16 they were built in times of emergency, but I would
17 suggest the fact of Crown Assets disposing of
18 these docks at a very small fraction of their
19 original cost enabled the operators of these docks
20 to acquire them.

21 THE CHAIRMAN: Do you mean Crown Assets
22 disposed of them for less than they could get?

23 MR. GREENE: I am not suggesting that.
24 I suggest it was more of a salvage proposition.

25 THE CHAIRMAN: They did in fact build one
26 in Newfoundland.

27 MR. GREENE: Yes, which is too big for
28 our purposes. Of course, you see we, in our
29 brief, go on to argue as far as these docks
30



1 elsewhere are concerned, and Bay Bulls is concerned,
2 the Bay Bulls dock is 3,000 tons capacity, and if
3 we were in a position to obtain the sort of aid
4 that is in fact enjoyed by the majority of operating
5 slip-ways, that the dock at Bay Bulls would now
6 be operating. That point is brought out in
7 our brief where we point out at pages nine and ten
8 the manner in which these Atlantic province docks
9 were acquired, but we go on to say if they had had
10 to be acquired at full market cost, with the
11 consequent tying up of capital, and later had to
12 be operated without direct or indirect assistance,
13 which they now enjoy, they would soon find them-
14 selves in the position our docks in Newfoundland
15 find themselves and would be unable to find
16 replacements for the docks when the docks wore
17 out through age.

18 All we are asking for as far as Newfoundland
19 is concerned is that marine haul-out facilities
20 be provided to bring our province up to the level
21 prevailing in other provinces.

22 It matters not to us how the other provinces
23 came to obtain these facilities, but we have a
24 right to ask for similar services to be provided
25 for us. As I say, we simply ask that our services
26 be brought up to the level prevailing in other
27 provinces.

28 We have also made the point, and I do
29 not wish to deviate from that recommendation that
30



1 it is encumbant upon the government to aid in the
2 provision and maintenace of suitable services in
3 Newfoundland, but we would suggest an alternative
4 amendment to the Federal Drydocks Subsidies Act
5 (Chapter 191 of the Revised Statutes of Canada,
6 1952) to provide for the establishment of fourth-
7 class docks.

8 We have in our supplementary brief presented
9 this morning, quoted from the report of the
10 Newfoundland Fisheries Development Committee in
11 1953. This committee was established jointly
12 by the Government of Canada and the Government of
13 Newfoundland to consider and make recommendations
14 on fishery policies, and they adopted in a section
15 of that brief some recommendations as to drydock
16 facilities in the Province of Newfoundland.

17 We have given in our brief, pages 11 and
18 12 a quotation from that report which we wish
19 to adopt in the alternative.

20 COMMISSIONER WICKWIRE: It is all set out
21 in your brief?

22 MR. GREENE: Yes. The smallest existing
23 type of drydock provided for in that Act is
24 still too large for our purposes. We ask a
25 fourth type of dock be added of the type we
26 require in Newfoundland and a subsidy regulation
27 be applied to enable that to be constructed.
28 We do recommend that the present rate of 3 per
29 cent be increased to 5 per cent.
30



1 I may say, in anticipation of our recom-
2 mendation being implemented, that a docking
3 engineer be sent to Newfoundland, our committee
4 through the Newfoundland Fisheries Development
5 authority have arranged for a firm of American
6 drydocking engineers, Crandell Engineering Company,
7 of Cambridge, Mass., to visit Newfoundland within
8 the next few days to make a survey of the exisiting
9 facilities and make recommendations, and we hope
10 in so doing we have taken the first step to relieve
11 the condition existing. We would emphasize there
12 has been in Newfoundland and other parts of Canada,
13 in one form or other, a form of government aid
14 at
15 which would appear to provide/reasonable rates
16 the service which the coastal trade of Newfoundland
17 must have if it is to continue. We would be
18 satisfied in this aspect, if not others, if this
19 Royal Commission saw fit to make recommendations
20 or pass along what we have said here to the
21 proper authorities concerned.

22 One other point I think I should mention
23 at this stage. We emphasized in our original
24 brief and also the hearings at St. John's, as
25 far as vessels docking at St. Pierre were
26 concerned, the Department of National Revenue,
27 Customs Division, imposes on the cost of such
28 repairs and renovations, 25 per cent duty, on the
29 return of that vessel to this country. We
30 are pleased to say concessions have recently



1 been granted for the revision of this duty
2 because of the circumstances this duty on repairs
3 existed on docking outside Canada.

4 We are very very pleased this concession
5 has been made and the effect of it will be
6 greatly appreciated.

7 May I say finally, we are troubled by the
8 great difficulty which exists in our coasting
9 trade at the moment and I think it is true to say
10 that not one answer can be found which will
11 provide a solution to our problem. We feel we
12 must look for and find a combination of various
13 facets, various aspects, which when tied together
14 will result in the finding of the right solution,
15 and we feel among these aspects the provision of
16 proper docking facilities is most important,
17 providing a suitable framework in which they can
18 operate, and all these aspects are conducive
19 to the ultimate finding of a solution.

20 No one answer will ever become apparent
21 as far as we are concerned. We must make the
22 answer by tying together various aspects in
23 such a way that a solution can be worked out.

24 If the Royal Commission feels it is in
25 a position, by reasons of its Terms of Reference
26 to adopt the recommendations put forward, or
27 to give impetus to any of the recommendations
28 I have read, we will be doubly grateful.

29 May I personally and on behalf of our
30



1 Committee thank the Royal Commission for its very
2 very careful consideration of the matters before
3 it. I think at times we have been a little
4 troublesome to them. Our demands have probably
5 been of such a nature we may have put ourselves
6 in the position of asking them to make awkward
7 decisions and so on.

8
9 We have been treated with great courtesy
10 and I may say we deeply appreciate the attitude
11 you have taken and deeply appreciate the opportunity
12 of appearing before you. We wish to thank counsel
13 and the members for that great courtesy.

14 Finally, may I repeat what Mr. Rowntree
15 has said already this morning about the great work
16 you have undertaken. May I as counsel for the
17 committee, reiterate his remarks on behalf of
18 counsel who have appeared before this Commission
19 from St. John's, Newfoundland to British Columbia,
20 that we deeply appreciate the manner in which we
21 have been heard, and we wish this Royal Commission
22 will give our presentation its consideration.

23 Thank you.

24 THE CHAIRMAN: Well, ladies and gentlemen,
25 that concludes the hearings of this Commission.

26 As you perhaps have some reason to suspect,
27 the Commission is unable to announce its conclusions
28 and recommendations. This will be another case
29 of a reserve judgment.
30



1 We are most grateful to Mr. Rowntree and
2 Mr. Greene for their words of appreciation. The
3 work has been at times very arduous, nonetheless
4 it has been extremely interesting. This has only
5 been made possible by the extremely able and
6 ^{work} intelligent/of many persons, particularly counsel
7 and representatives of those who appeared, and
8 we are indeed grateful to those counsel, the
9 representatives and their staff for the hard work,
10 and sound work they have put into the preparations
11 of the submissions to this Commission, and the
12 presentation of those submissions and we say
13 very sincerely that it is only that work, and
14 I am thinking particularly of the many things
15 they furnished us with at our request, that makes
16 it possible to come to an intelligent conclusion
17 if we are able to do so.
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22 (Commissioner Belanger thanked counsel
23 and parties in French).
24

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27 MR. GERIN-LAJOIE: Mr. Chairman, with
28 your permission, and without prolonging this
29 hearing for another half hour I should like
30 to express on behalf of your counsel appreciation



1 to the other parties who have appeared before this
2 Commission. Their cooperation has made it
3 possible for us and you, Mr. Commissioner and
4 your fellow Commissioners, to make this hearing
5 as expeditious as possible.

6 My first thanks go to our fellow lawyers
7 and they also go to all parties and persons who
8 have appeared before this Commission. If lawyers
9 can claim a monopoly on so-called legal training,
10 they cannot claim a monopoly on ability.

11 I should like to say Mr. Mundell was very
12 annoyed at having to leave Ottawa before this
13 final day of the hearings and he has asked me to
14 say expressly he is joining me in thanking all
15 counsel and parties who have appeared before
16 this Commission.

17 Although I have received no instruction,
18 not even permission to do this, I think I should
19 also express my thanks to the staff of your
20 Commission, the secretary, assistant secretary,
21 and your economic advisor, and all of their colleagues
22 for their work. I certainly would not dare to call
23 them the power behind the throne, but they are
24 certainly the silent and hidden workers of
25 your Commission and they would certainly like
26 to join me in thanking counsel and parties
27 who appeared.
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2 THE CHAIRMAN: Thank you again ladies
3 and gentlemen. This Commission is now prorogued.
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